

AUDIT COMMITTEE

MONDAY 26 MARCH 2012
7.00 PM

Bourges/Viersen Rooms - Town Hall

THE CHAIRMAN WILL ASSUME THAT MEMBERS HAVE READ THEIR PAPERS PRIOR TO THE MEETING TO AVOID UNNECESSARY INTRODUCTIONS TO REPORTS. IF ANY QUESTIONS ARE APPARENT FROM THE REPORTS THEY SHOULD BE PASSED TO THE REPORT AUTHOR PRIOR TO THE MEETING

AGENDA

	Page No
1. Apologies for Absence	
2. Declarations of Interest and Whipping Declarations	
3. Minutes of the Meeting held on 6 February 2012	1 - 8
4. Regulation of Investigatory Powers Act (2000): Quarterly Report (To 31 December 2011)	9 - 12
To receive an update on the use of RIPA during the 3 months to 31 December 2011	
5. Use of Consultants	13 - 24
To receive a progress report on monitoring arrangements and policies in relation to the use of Consultants. This was previously discussed at Sustainable Growth Scrutiny Committee	
6. External Audit: Audit Plan	25 - 50
To receive and approve the External Audit Plan	
7. Internal Audit: Draft Internal Audit Plan 2012 / 2013	51 - 86
To receive and approve the Internal Audit Plan and Strategy for 2012 / 2013	
8. Audit Commission: Appointment of External Auditors	87 - 90
To receive an update on central government changes impacting on external audit coverage	

9. Draft Annual Audit Committee Report

91 - 102

To receive the Annual Report from the Chair of the Audit Committee prior to submission to Council

10. Work Programme 2012 / 2013

103 - 104

To review the draft work programme for 2012 / 2013



There is an induction hearing loop system available in all meeting rooms. Some of the systems are infra-red operated, if you wish to use this system then please contact Gemma George on 01733 452268 as soon as possible.

Emergency Evacuation Procedure – Outside Normal Office Hours

In the event of the fire alarm sounding all persons should vacate the building by way of the nearest escape route and proceed directly to the assembly point in front of the Cathedral. The duty Beadle will assume overall control during any evacuation, however in the unlikely event the Beadle is unavailable, this responsibility will be assumed by the Committee Chair.

Committee Members:

Councillors: D Lamb (Chairman), J Stokes (Vice Chairman), C Harper, P Kreling, S Lane,
S Goldspink and P Nash

Substitutes: Councillors: K Sharp and M Nadeem

Further information about this meeting can be obtained from Gemma George on telephone 01733 452268 or by email – gemma.george@peterborough.gov.uk

Public Document Pack



MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD AT THE TOWN HALL, PETERBOROUGH ON 6 FEBRUARY 2012

Present: Councillors Lamb (Chairman), Stokes (Vice Chairman), Goldspink
Kreling, Harper, Nash and Lane

Officers in

Attendance: Steve Crabtree, Chief Internal Auditor
Steven Pilsworth, Head of Corporate Services
Stuart Hamilton, Resilience Service Manger
Karen S Dunleavy, Governance Officer

Also in

attendance: Jacqui Short, PricewaterhouseCoopers

1. Apologies for Absence

No apologies for absence were received.

2. Declarations of Interest and Whipping Declarations

There were no declarations of interest or whipping declarations.

3. Minutes of the Meeting held on 7 November 2011

The minutes of the meeting held on 7 November 2011 were approved as an accurate and true record, subject to the following amendment being made:

Item 4 - Internal Audit: Half Year Update 2011/12:

The Chief Internal Auditor advised Members that there had previously been a substantial amount of officer time on sickness which had significantly reduced. This had allowed staff to take on jobs from the reserve list.

4. Risk Management: Strategy and Strategic Risks

The Committee received a routine planned report on the Risk Management: Strategy and Strategic Risks Report. The Committee also received an update on the Strategic Risk Register that had been presented to Corporate Management Team (CMT).

The following key points within the report were highlighted:

- Risk Management and Business Continuity Policy 2011/12;
- Risk Management and Business Continuity Objectives;
- Strategic and operational objectives which the Council aimed to achieve during business as usual and during a disruption, as far as reasonably practicable;
- Growth agenda;
- Meeting Environment Capital / Climate change;
- Impact of social demographic changes;
- Corporate Manslaughter/ health and safety incident;
- Homelessness;
- Crime and anti-social behaviour reduction and a breakdown in community cohesion;
- Safeguarding;

- School Places;
- Financial position – the latest position was within the public domain for consultation; and
- Industrial action.

The Committee received the Risk Management Strategy and Strategic Risks report and was requested to approve in particular the following points within the report:

1. The current Risk Management Policy; and
2. The Strategic Risk Register

Comments and responses to questions were as follows:

- Members raised concerns over why the Health Services and Adult Social Care transfer had not appeared on the Risk Register and sought clarification over when it would be captured? *The Resilience Service Manger confirmed that the Register had been due for review by CMT in January 2012; however, due to other business being discussed the Risk Register item had been deferred. Members were also advised that CMT were aware of the Health Services and Adult Social Care transfer being underway and that the funding implications had been captured by Peterborough City Council.*
- Members received an update on what control measures were in place for the issues highlighted within the Risk Register. The Resilience Service Manger also updated Members on who led these control measures:
 - Growth Agenda – Head of Operations;
 - Meeting Environment Capital / climate change – Head of Operations;
 - Impact of social demographic change – Head of Operations
 - Corporate manslaughter / health and safety incident – All Directors
 - Homelessness – Head of Operations
 - Crime and anti-social behaviour reduction and a breakdown in community cohesion – Head of Operations
 - Safeguarding – Executive Director Children's Services
 - School Places – Executive Director Children's Services
 - Financial position – John Harrison
 - Industrial action – All Directors
- Members were also updated that Governance Arrangements for the Council and the Scrutiny Engagement Process had been removed from the Risk Register due to their low risk status.
- Members commented that there was a shortage of school places in the PE1 area of the City and that help was needed to ease the subsequent transport issues which had arisen due to these shortages. Members also commented that although the issues were being dealt with by Peterborough City Council, additional primary school places in the PE1 area, would not be available until 2013.
- In response to a question regarding the Strategic Risk Register Report, the Resilience Service Manager confirmed that the report had been produced in the same format as previous years as this was thought to be more accessible to the public.
- Members requested that some short term targets should be included in the Strategic Register in order to measure the actions being taken to provide extra school places

within the City. *The Resilience Services Manager advised Members that the request would be brought to the attention of CMT.*

ACTION AGREED:

The Committee approved:

1. The current Risk Management Policy; and
2. The Strategic Risk Register

5. EXTERNAL AUDIT REPORTS

Members were advised that during the year, PwC had undertaken various reviews on behalf of the Authority. The reports had been received and agreed with Senior Management as part of the work carried out by PwC under the Council's Governance arrangements.

Members were asked to give the following reports consideration:

5.1 2010 / 2011 Annual Audit Letter

Members were advised that the External Auditor and the Audit Commission Relationship Manager had produced an Annual Audit Letter reviewing the Council's arrangements and progress in relation to the Audit of the Accounts. The Committee was also advised that Cabinet was due to consider the report in February 2012.

5.2 Grant Claims: Annual Certification Report

Members received an update regarding the annual report into the review and verification of grant claims across Peterborough City Council by PwC.

The Committee was requested to consider, and endorse the final reports produced by External Audit in the following areas:

1. 2010/11 Annual Audit Letter;
2. Grant Claims: Annual Certification Report

During consideration, comments and responses to questions were as follows:

- Clarification was sought over the content of the report regarding Housing and Council Tax Benefits. *The PwC representative confirmed that there had been an issue in the certification of the Housing and Council Tax Benefits grant claim due to errors that had been found within the classification of expenditure. Members were also advised that the Housing and Council Tax Benefits classification was complex, which had lead to inputting errors. The issue was not unique to Peterborough City Council and had been highlighted as a national issue.*
- Members sought clarification over the three projects that had been highlighted in the Annual Certification Report. *The Head of Corporate Services advised Members that the projects related to three grant payments received from the East of England Development Agency in order for the Council to support the following projects:*
 - *Two grants related to the Participation Programme in order to provide help with training and encouragement for people returning to*

employment. Peterborough Enterprise was one of the organisations that had been supported; and

- *One grant related to the Public Realm Projects which had principally focussed on the Cathedral Square improvements.*

- Members sought clarification over the teacher's pension return and payments made by the Council. *The Head of Corporate Services advised that the Council coordinates the return in relation to teacher's pension's contributions. The Council was subject to an audit fee for those pension payments.*

- Members sought clarification over whether the Government was going to make improvements to the financial grant returns process by allowing the authority to submit one annual return for schools, which would also include Academy Schools. Members were advised that there were no known plans in the future to provide separate returns for Academy Schools.

- Members sought clarification over whether the Authority was lobbying the Government to change the system in order to make schools accountable for their own financial returns? *The Head of Corporate Services advised Members that the only lobbying being conducted was in connection with the Authority's budget reduction following the changes in funding for Academy Schools. The budget removal had not taken into account the overheads that the Authority continued to be responsible for.*

ACTION AGREED:

The Committee agreed to endorse the final reports produced by External Audit in the following areas:

1. 2010/11 Annual Audit Letter;
2. Grant Claims: Annual Certification Report

6. ANNUAL GOVERNANCE STATEMENT - UPDATE

The Committee received a report from the Chief Internal Auditor on the Annual Governance Statement (AGS), which explained how the Council delivered good governance and reviewed the effectiveness of those arrangements. It was a requirement for a local authority to include the review as part of the Annual Statement of Accounts, as well as to comply with the requirements of the Accounts & Audit Regulations 2011.

Key points highlighted were as follows:

- Use of Consultants;
- Development of Neighbourhood Committees;
- Delivery of the Medium Term Finance Strategy;
- Bribery Act;
- Localism Act;
- Welfare Reform Bill;
- Adult Social Care;
- Safeguarding; and
- School Governance.

The Committee was asked to:

1. Note the progress on the significant governance issues reported in the Annual Governance Statement 2010 / 2011;
2. Note emerging issues to be reflected in the next Annual Governance Statement; and

3. Consider whether additional areas of assurance were required.

During consideration comments and responses to questions were as follows:

- Members raised a question regarding internal services that had been contracted out to other organisations and whether governance arrangements had been highlighted as a potential risk for the future. *Members were advised that reference had been made within last year's Governance Statement for third party arrangements which included Serco and Enterprise. Members were also advised that there were regular reviews in place to look at the Council's arrangements for partnerships in terms of governance. The Chief Internal Auditor advised Members that if effective governance for partnership arrangements was not in place, there would be an increased risk impact for the future.*
- Members raised a question regarding the progress of the Energy from Waste Project (EfWP), and whether the Authority's direction of travel was a risk to be highlighted within the Strategic Risk Register? *The Head of Corporate Services advised Members that the Environment Capital Scrutiny Committee had been receiving periodic updates on the EfWP.*
- Members sought clarification over whether the Environment Capital Scrutiny Committee (ECSC) would discuss the financial and other future benefits of the EfWP. *The Head of Corporate Services advised Members that Business Plans had been received by ECSC and that the Committee had reviewed the delivery, environmental and financial factors.*
- Members commented that there had been delays with the EfWP due to the financial impacts previously outweighing the use of the facility. *The Head of Corporate Services advised Members that the Energy for Waste facility was due to be operational in 2015.*
- Members raised a question regarding the use of consultants and whether there would be a decrease following the recent review that had been conducted. *Members were advised that additional information was to be presented to the Sustainable Growth Scrutiny Committee (SCSC) following their recommendation that the Council may wish the Audit Committee to monitor the use of consultants going forward. Members were also advised that a recent report to SCSC had shown a reduction in the use of consultants. The Head of Corporate Services advised that he would provide an update on the use of consultants at the next meeting of the Audit Committee.*

ACTION AGREED:

The Committee:

1. Noted the progress on the significant governance issues reported in the Annual Governance Statement 2010 / 2011; and
2. Noted emerging issues to be reflected in the next Annual Governance Statement; and
3. Considered whether additional areas of assurance were required.

It was further agreed that the Governance Officer would request, on the behalf of Audit Committee, an update on when the Energy from Waste project would appear on the work programme for the Environment Capital Scrutiny Committee.

7. EFFECTIVENESS OF THE AUDIT COMMITTEE

Members received a presentation from the Chief Internal Auditor on the annual review of the Audit Committee's effectiveness, which had been carried out using the principles established

by the Chartered Institute of Public Finance and Accountancy (CIPFA). The review had used a questionnaire approach, which was set out in the Audit Committee Handbook.

The key points within the presentation were highlighted:

- Regular legal and regulatory training updates for Audit Committee;
- Training guides / packs with outlined questions in order for the Committee to challenge the Audit Plan, the Annual Governance Statement and Risk Management would be circulated; and
- Access to Chief Officers for Members was clarified.

The Committee was asked to Consider and approve:

1. The review and its conclusion that the Committee was operating effectively in all material respects.

During consideration comments and responses to questions were as follows:

- In response to a question raised by Members, the Chief Internal Auditor advised that the next Audit Committee Annual Report would be put forward as an agenda item for 26 March 2012 meeting.
- In response to a question raised by Members regarding how constitutional and transparent CIPFA guidance was in terms of conducting private consultations with Members, the Chief Internal Auditor advised that CIPFA would be contacted to provide further clarification.
- Members requested that the option of the Council considering independent members for the Audit Committee would be investigated.
- Members raised a question over whether Audit Committee had ever referred an item to any other Committee? *The Chief Internal Auditor advised Members that in recent years, discussions in relation to the Medium Term Financial Strategy and Final Accounts had been presented to Scrutiny.*
- Members raised a question over whether the Audit Committee had considered how it integrated with other Committees? *The Chief Internal Auditor advised Members that consideration had been given in terms of integration with other Committees and that it would be appropriate for specific risk items to feed into other Committees.*

AGREED ACTION:

The Committee approved:

- 1 The review and its conclusion that the Committee was operating effectively in all material respects.
- 2 It was agreed that the Chief Internal Auditor would investigate the following:
 - Clarification on CIPFA guidelines on private consultation with Members;
 - Review other Authorities to investigate if they include independent members on their Audit Committee; and
 - An Annual Report to be produced on behalf of the Audit Committee to formally report on the performance of its work during the year, to Full Council.

8. WORK PROGRAMME 2011 / 2012

The Chief Internal Auditor submitted the latest version of the Work Programme for the municipal year 2011 / 2012 and 2012 / 2013 for consideration and approval.

The Committee requested that the Resilience Service Manger would arrange for the Strategic Risk training to be brought back to the next meeting of Audit Committee scheduled for 26 March 2012.

AGREED ACTION:

The Committee noted and approved the 2011 / 2012 and 2012 / 2013 Work Programme.

7.00pm – 7.50pm
Chairman

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 4
26 March 2012	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Diane Baker, Head of Governance	☎ 452 559

REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) REPORT FOR THIRD QUARTER OF 2011 – OCTOBER TO DECEMBER 2011

RECOMMENDATIONS	
FROM : Paul Phillipson, Executive Director of Operations	Deadline date : N/A
Audit Committee is asked to	
1. Receive, consider and endorse this report on the use of RIPA for the third quarter of 2011 – October to December 2011	

1. ORIGIN OF REPORT

This report is submitted to the Committee as a scheduled report on the Council's use of RIPA in accordance with the established Work Programme 2011 / 2012.

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to provide an update of the Council's use of RIPA powers during the third quarter, October to December 2011. This report is to be considered in accordance with its Terms of Reference 2.2.15 - *To monitor council policies on "raising concern at work" and the anti fraud and anti corruption strategy and the Council's complaints process.*

3. BACKGROUND

3.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a statutory mechanism for authorising covert surveillance and the use of a 'covert human intelligence source' (CHIS) e.g. undercover agents. It now also permits Public Authorities to compel telecommunications and postal companies to obtain and release communications data, in certain circumstances. It seeks to ensure that any interference with an individual's right under Article 8 is **necessary and proportionate**. In doing so, RIPA seeks to ensure both the public interest and the human rights of individuals are suitably balanced.

3.2 Council officers and external agencies working on behalf of Peterborough City Council must comply with RIPA and any work carried out must be properly authorised by one of the Council's Authorising Officers. The powers contained within the Act can only be used for the purpose of preventing or detecting crime or preventing disorder.

3.3 The Council has established strong governance around the use of RIPA and provides assurance to the citizens of Peterborough that the powers are only used where necessary and proportionate and in accordance with the law.

3.4 The following table provides a breakdown of the use of RIPA between October 2011 and December 2011.

Date of authorisation	Type of Covert Surveillance	Reason	Outcome
14.10.2011	Covert	Fly Tipping	Offences were identified however the footage was of too low definition to be considered of value
20.10.2011	Covert	Test Purchasing	Cancelled at last minute due to shortage of volunteers.
18.12.2011	Covert	Test Purchasing	Two sales of alcohol were identified and fixed penalty notices were issued.

3.5 The report for the second quarter referred to an authorisation dated 12th September 2011 regarding test purchasing which was ongoing at that time. The trader was required to pay the outstanding fee in relation to the matter.

3.6 The following table provides a breakdown of the Council's applications for access to communications data between October 2011 and December 2011.

Date of application	Type of Communications Data	Reason	Outcome
02.11.2011	Telephone	Business Regulation investigation	The matter is still ongoing

4. CONSULTATION

Consultation has taken place between the following parties:

- Solicitor to the Council;
- Executive Director of Operations (as the Senior Officer with oversight for RIPA); and
- Chief Internal Auditor

5. ANTICIPATED OUTCOMES

That the Audit Committee continues to be informed of the necessary and proportionate use of RIPA across the Authority.

6. REASONS FOR RECOMMENDATIONS

There are no recommendations contained within this report.

7. ALTERNATIVE OPTIONS CONSIDERED

The option is not to present an annual or quarterly report, which details the use of RIPA. This could result in a lack of assurance and a potential lack of support from the Audit Committee. Failure to report usage for Member review contravenes the RIPA Codes of Practice.

8. IMPLICATIONS

The implications of this report are that the Council will become more aware of RIPA and its value to the Council's many enforcement teams. The Council has already created a positive profile and has been congratulated on its adherence to the legislation by the Office of Surveillance Commissioners.

9. BACKGROUND DOCUMENTS

(Used to prepare this report in accordance with the Local Government (Access to Information) Act 1985)

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 5
26 March 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Strategic Finance	Tel. 452520 Tel. 384564

USE OF CONSULTANTS – FUTURE MONITORING ARRANGEMENTS

R E C O M M E N D A T I O N S	
FROM : Executive Director Strategic Resources	Deadline date : N/A
<p>1. That Audit Committee consider the progress report on monitoring arrangements and policies in relation to the use of Consultants, along with their future role in such monitoring arrangements.</p>	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee following the Sustainable Growth Scrutiny Committee review into Peterborough City Council's use of consultants, and the subsequent endorsement of their recommendations by Cabinet.

2. PURPOSE AND REASON FOR REPORT

2.1 The Scrutiny Review recommended that the on-going monitoring role at Member level is undertaken by Audit Committee. This report seeks comments as to how this should happen, including what issues and information Audit Committee would like to consider in future to undertake their role in monitoring the use of consultants, and is in accordance with the Committees' Terms of Reference –

- 2.2.13 To review any issue referred to it by the Chief Executive or a Director, or any Council body; and
- 2.2.17 To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

4. REVIEW OF THE USE OF CONSULTANTS

4.1 In March 2010, the Sustainable Growth Scrutiny Committee requested a review into Peterborough City Council's use of consultants. A cross-party review group was established to undertake this work on behalf of the Sustainable Growth Scrutiny Committee.

The scope of the review focused on the following objectives:

- To examine the cost of consultants and whether that provides value for money;

- To review the processes for engaging and monitoring the work of consultants;
- To look at the relationship between consultants and staff of the Council; and
- To examine the likely future use of consultants by the Council.

- 4.2 The report from the Consultancy Review Group was issued in March 2011 and contained 33 recommendations: 27 of these recommendations were endorsed by Cabinet in June 2011. In broad terms, the recommendations related to policy and process changes. It was agreed that many of recommendations regarding good practice should be incorporated into a policy guiding the use of consultants and interims.
- 4.3 Progress in implementing the recommendations, including a draft of the policy, was considered by Sustainable Growth Scrutiny Committee at their meeting on 8th November 2011. Committee made a number of comments regarding the draft policy, and requested that an updated draft was brought back to their meeting of 6th March 2012 for consideration. Following this the Policy was recommended to Cabinet for approval on 26th March, and is attached as an appendix.
- 4.4 The policy outlines the process for engaging consultants, including the development of business cases on the Council's project management system (VERTO). All Members are being offered access to VERTO to be able to review relevant business cases. A training session is being held on 28th March.
- 4.5 The Scrutiny review also recommended that the on-going responsibility for monitoring the use of consultants, including the policy, should fall to Audit Committee.

Use of consultants

- 4.6 The definition of consultancy is based upon standard procurement classification. As such it covers a wide range of companies and services. A list of companies used in the last year is included in appendix 2, indicating the breadth of these companies and services.
- 4.7 The spend for the last three years is shown below, outlining a decline over those three years.

	Consultancy £m	Interim £m	Total £m
2009-10	7.1	1.4	8.5
2010-11	5.3	1.1	6.4
2011-12 (12 month period to January 2012)	4.6	0.5	5.1

It should be noted that the exact pattern of spend depends entirely on what projects are underway in the Council.

5. CONSULTATION

- 5.1 Members of Sustainable Growth Scrutiny Committee discussed the draft policy at two sessions. The report of 6th March included specific commentary on how Member comments had been dealt with.

6 ANTICIPATED OUTCOMES

- 6.1 That Audit Committee will determine what issues and information they would like to consider in future to undertake their role in monitoring the use of consultants.

7 REASONS FOR RECOMMENDATIONS

- 7.1 The recommendations are in line with the recommendations of the Scrutiny Review, as endorsed by Cabinet

8 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 It is for Audit Committee to determine exactly how they wish to monitor use of consultants in the future. Committee can consider differing options in doing so

9 IMPLICATIONS

- 9.1 Where appropriate, the policy outlines implications for areas such as Legal, Human Resources, Procurement and Finance.

This report does not have implications for specific wards.

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- Consultancy Review Report, March 2011
- Report to Sustainable Growth Scrutiny Committee, 8th November 2011
- Report to Sustainable Growth Scrutiny Committee, 6th March 2012
- Report to Cabinet 26th March 2012

APPENDICES

- Appendix 1 - Consultancy and Interim Policy
- Appendix 2 - list of companies used in the last year

Consultancy and Interim Policy

1. Aim

- 1.1 The aim of this policy is to provide Peterborough City Council managers with guidance on the engagement and management of external consultants
- 1.2 The Council aims to ensure that value for money is received from consultants and that internal resources are used where they are available.
- 1.3 This policy does not apply to the engagement of temporary agency staff or interims where that interim is employed under a fixed term employment contract to carry out work which is “business as usual”. However some reference is made to these processes where necessary to make the appropriate differentiation to consultancy.
- 1.4 The overall objectives of this policy are to:
 - Ensure consistent application in the use of consultants across the Council
 - Ensure correct procedures are followed when sourcing a consultant, and as result ensuring there is appropriate transparency
 - Minimise the use of consultants to reduce overall spend.

2. Definitions

- 2.1 Understanding the different processes for engaging persons under a temporary or fixed term contract can sometimes be confusing.
- 2.2 The Sustainable Growth Scrutiny Committee’s Consultancy Review report (March 2011) outlined the following definitions for distinguishing between consultant and interim/agency staff.

Consultant

Consultants are external third parties with expertise that is typically not available internally. Clients employ consultants for short-term projects, and usually specify an end point to their involvement in a project.

Interim

Interims fill permanent vacancies or temporary increases in operational workload. Interims are therefore contractors used as day-to-day operational resources to maintain departmental function, and are managed by client staff.

- 2.3 Interims can be sourced in a number of ways. This is further outlined in section 3 below.

3. Approach to engaging consultants

- 3.1 The following table will assist you in understanding the correct process for engaging a temporary resource, and differentiates between consultants and other interim resource.
- 3.2 The policy itself covers the use of consultants. Existing procedures cover the use of Agency staff and Temporary employees.

Description	Payment Method	Engagement	Process
Consultant	Paid through invoice Short-term or fixed length employment	Requires tendering process to invite bids or sourced from the Professional Services Partnership (PSP) contract	Procedures outlined in this Policy (Schedule 1)
Interim	Paid through invoice Short-term or fixed length employment	Requires tendering process to invite bids or sourced from the Professional Services Partnership (PSP) contract	Procedures outlined in this Policy (Schedule 1)
Agency staff	Paid through invoice	Appointed through the Council's framework arrangements for agency staff	See Insite
Temporary employee	Paid through salary	Advertisement	<ul style="list-style-type: none"> • Director's Board approval • Advert • Normal recruitment process

4. Policy Requirements

4.1 This policy requires that:

- Officers are required to ensure that recruitment (and on-going management) of any consultant complies with the requirements of this Policy.
- The consultant in turn will be bound by the terms of the contract with them (either through the overarching PSP contract, or via a direct contract for services)
- Officers will be required to ensure that any tendering exercise includes a requirement for consultants to certify that they do not have any conflict of interest in carrying out the contract. Examples of potential conflicts of interest are set out at Schedule 2 to this policy.
- Officers must ensure that any contract with the consultant contains a requirement that any conflicts of interest which arise during the course of the contract (including those of any sub-contractor engaged) will be notified to an officer of the Council. See Schedule 3 for an example of an appropriate condition. A similar clause is contained within the PSP contract
- Skills transfer must be a written contractual requirement for appropriate professional skills contracts, particularly project and programme management, to enable officers to develop expertise which will directly benefit the Council. An example of a model skills transfer condition is also included at Schedule 4.
- Where the Council engages consultants on a long-term contract or on a series of successive short term contracts, there should be, only in appropriate circumstances, a requirement for managers to approach the consultant, at fixed periods in the contract, about filling a permanent role within the Council.
- Managers should negotiate, where appropriate, fixed-price or incentive-based contracts. It is noted that incentive-based contracts contain an element of high risk: therefore, guidance and agreement should be sought from the Senior Contracts & Partnerships Manager before managers embark on this course
- Officers should, wherever possible, seek to fill senior management posts with a permanent employee where it is beneficial for the Council and consider all other available options (e.g. internal employees acting up) before seeking to recruit an interim to a managerial position.
- Where appropriate, HR should be involved in the recruitment process for interims occupying managerial positions so that advice can be given on suitable candidates from amongst existing employees and in-house expertise, skills or knowledge.

5. Reporting and Monitoring

- 5.1 The recruiting manager will be required to complete progress reports on Verto to demonstrate that the objectives of the original business case are being achieved.
- 5.2 A monthly report on consultancy/interim usage will be submitted to the Executive Director Strategic Resources and the Cabinet Member for Resources for their information and scrutiny.
- 5.3 The Scrutiny Review recommended that the on-going monitoring role at Member level is undertaken by Audit Committee. Regular reports will be produced for the Audit Committee as requested.

6. Further support for Managers

- 6.1 Managers will be encouraged to source internal skills, expertise and resources before preparing a business case for consultancy resources (including consultants in interim positions).
- 6.2 HR will provide the necessary advice and support to test internal capacity before a decision is made to procure external assistance.
- 6.3 Legal Services will provide a standard form of consultancy contract for use by the Council which officers should use in preference to any contract proposed by the consultant. Where officers intend to rely upon a contract proposed by the contractor it must ensure that as a minimum the conflicts of interest condition and the transfer of skills condition at schedules 3 & 4 are included in the agreement.
- 6.4 Further guidance and support can be obtained from the contacts below:

Area	Contact
Business cases and Verto	Ramnit Bassi Business Transformation Manager (01733) 452388 ramnit.bassi@peterborough.gov.uk
Procurement	Andy Cox Senior Contracts & Partnerships Manager (01733) 452465 andy.cox@peterborough.gov.uk
Legal advice	Kim Sawyer Head of Legal (01733) 452361 kim.sawyer@peterborough.gov.uk
Finance	Departmental Heads of Business Support Steven Pilsworth Head of Strategic Finance (01733) 384564 steven.pilsworth@peterborough.gov.uk

Schedule 1

Process for Engaging Consultants or Interims

- A business case must be completed on Verto (the Council's project management system) outlining the need for a consultant, the benefits and the cost. Business cases need to be approved by the department Head of Service or Director (along with finance, legal and procurement approval).
- Those exceeding £5,000 in cost require approval from the Executive Director Strategic Resources. Where the business case exceeds £50,000, the EDSR will in turn seek approval from the Cabinet Member for Resources.
- The business case must be approved before any other elements of the process can be undertaken. If you have any queries about this process, please contact Ramnit Bassi on (01733) 452388 or ramnit.bassi@peterborough.gov.uk
- Business cases will be available for Members to view via their Verto access
- If the cost of the consultant exceeds £5,000, then Council contract regulations also apply. These are available on the Council's Website and can be accessed via the following link:
<http://democracy.peterborough.gov.uk/mqConvert2PDF.aspx?ID=8810>
- The ordering process is also explained on Insite and can be accessed via the following link:
<http://insite/Information%20Library2/InfoLibraryPages/CategoryDetails.aspx?CatID=631>

Schedule 2

Examples of potential conflicts of Interest

The following are matters which could potentially give rise to a conflict of the consultant's interest with the Council's interest. This list is not exhaustive but it might assist in identifying whether any potential conflict of interest arises:

- The consultant's financial interests are affected by the outcome of the contract (but this does not include the salary paid to the consultant).
- The consultant is a member of a body or holds a position of responsibility in a body whose interests may conflict with those of the Council.
- The consultant is personally known to the officer or member awarding the contract (this is not necessarily fatal to the contract if the contract has been obtained through fair competition but should be declared in any event).
- The consultant owns shares or has an interest in any company which is affected by the outcome of the contract.
- The consultant has another contract which conflicts with the Council's interests.

Schedule 3

Proposed condition of contract - Conflicts of Interest

Conflicts of Interest

- 1 The Consultant shall take appropriate steps to ensure that neither the Consultant nor any of its personnel is placed in a position where in the reasonable opinion of the Council there is or may be an actual conflict, or a potential conflict, between the pecuniary or personal interests of the Consultant or such persons and the duties owed to the Council under the provisions of the Agreement. The Consultant shall disclose to the Council any actual or likely conflict of interest arising from the Consultant's provision of Services under the Agreement within 5 Working Days after becoming aware that such actual or likely conflict exists.
- 2 The Council reserves the right to terminate the Agreement immediately by written notice and/or to take such other steps it deems necessary where, in the reasonable opinion of the Council, there is or may be an actual conflict, or a potential conflict, between the pecuniary or personal interests of the Consultant and the duties owed to the Council under the provisions of the Agreement.
- 3 The Consultant acknowledges that a conflict of interest shall, or is likely to, arise in circumstances where either it or any of its personnel:
 - 3.1 bids for work from the Council in relation to the same procurement for which the Consultant is or has provided consultancy services to the Council; or
 - 3.2 is asked by the Council to review or evaluate any aspect of the business of a competitor including, without limitation, its commercial proposals, strategies, methodologies, goods and services.

Schedule 4

Proposed condition of contract - Skills Transfer

Skills Transfer

1. The Consultant shall where required use its best endeavours to identify the required knowledge and skill set to carry out the Services and impart the necessary skills and knowledge to the Council's employees with whom the Consultant has contact in the performance of the Consultancy Services. This should be undertaken with a view to increasing and consolidating the skills base within the Council.
2. In addition the Consultant shall deliver training including a Question and Answer Session to those workers and employees with whom the Consultant has had contact together with such others as are nominated by the Council. The training shall be of such duration and timing as specified by the Council and shall focus on those areas identified by the Council that arise from the delivery of the Consultancy Services to the Council.

List of companies used in the last year

A G L Consulting
AMTEC Consulting Plc
Anglia Support Partnership
Ann Goldsmith Ltd
Athene Communications
Barker Storey Matthews
Brown, Kamni
Building Research Establish. Ltd
Capita Business Services Ltd
CEN Services Ltd
Centre for Sustainable Engineering
Civica UK Limited
Copping, Mr Fernley
Don Latham Associates
Donoyou, Mr Richard
Drivers Jonas Deloitte
ES4S Ltd
Experian Ltd
G V A Grimley
Gilgar, Mr Eamonn
Governetz Ltd
Grey Laughton Associates
Halcrow Group Ltd
Hays Specialist Recruitment Ltd
Headstuff Ltd
Hunt, Ms Deborah
Hyder Consulting (UK) Ltd
Innovative Solutions
Jane Held Consulting Ltd
Jones, Miss Linda
MCBN Management Consultants Ltd
Nash, Ms Susan
Nene Construction Management Servs Ltd
Newscrews Ltd
Northgate Information Solutions
Ntrinsic Consulting Europe Ltd
Peter Brett Associates
Randstad Care Ltd
Randstad CPE
Reilly, Mr Gerald
Rider Levett Bucknall UK Ltd
Sanham Agricultural Planning Ltd
Terrier Management Services
The Carbon Trust
Valuation Office Agency
Veredus

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 6
26 MARCH 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Executive Director - Strategic Resources	☎ 452 398

EXTERNAL AUDIT: AUDIT PLAN 2011/12

R E C O M M E N D A T I O N S	
FROM : PricewaterhouseCoopers	Deadline date : N/A
<p>The Committee is asked to:</p> <ol style="list-style-type: none"> 1. Consider the External Audit Plan for 2011/12; 2. Provide comment on any amendments necessary; and 3. Approve the Plan. 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its Work Programme for 2011/12.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to consider and respond to the Audit Plan for 2011/12 from PricewaterhouseCoopers (PwC), the Council's external auditors, in accordance with the Committees' Terms of Reference –

2.2.6 To consider the external auditors annual letter, relevant reports, and the report to those charged with governance, and

2.2.8 To comment on the scope and depth of external audit work and to ensure it gives value for money.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

4. EXTERNAL AUDIT PLAN

4.1 The Audit Plan has been prepared to inform the Council about the responsibilities of its external auditors and how those responsible will be discharge. It has been discussed and agreed jointly by Council representatives and External Audit (PricewaterhouseCoopers (PwC)).

4.2 The Plan (Appendix A) has been developed to consider the impact of the recent key developments and risks based upon discussion with management and understanding of the City Council and the local government sector.

4.3 There are a number of sections within the report as follows:

a) Introduction – contains the purpose and the period the plan will cover.

b) Scope of the audit – highlights the three key areas of the audit; Statement of Accounts, Value for Money conclusion, and other reporting requirements. These are standard auditing for areas, and all auditors will be following the same or similar scopes.

c) Audit approach – PwC have considered the Council's operations, assessed the risk and how the Council's control procedures mitigate these. It also explains the change in materiality amount, from £100k last year to £250k for this year, to use in the audit opinion.

d) Key Risks – identification enable PwC to determine where audit effort should be focused. There are a mix of types of risks identified, from the general risk such as fraud which any organisation would face, and those more specific to the Council such as the Audit Social Care service and outsourcing arrangements which have occurred through business change.

e) Recent Developments – considers changes from the implementation of the Code 2011/12 and other Government developments.

f) Audit engagement team and independence – contact details of team and expectations of roles

g) Communications plan – outline of the reports expected from PwC and timeframes

h) Timetable – for the execution of this Plan

i) Audit Fees – confirms the fees

j) Risk of fraud – clarification over roles to mitigate the risk

k) Other engagement information – terms of appointment and other matters for attention

5. CONSULTATION

5.1 The Plan has been circulated to relevant officers for comment, including the Executive Director – Strategic Resources, Head of Corporate Services, and the Chief Internal Auditor.

6 ANTICIPATED OUTCOMES

6.1 Approval of the External Audit Plan 2011/12.

7 REASONS FOR RECOMMENDATIONS

7.1 The Plan provides a summary of the Auditor's proposed work for 2011/12. Members can ask questions and make comments to the External Auditor on its contents and coverage.

8 ALTERNATIVE OPTIONS CONSIDERED

8.1 The External Auditor can take on board responses received prior to the finalisation of the plan. No specific options are submitted for consideration.

9 IMPLICATIONS

9.1 There are no direct implications arising from this Plan for PricewaterhouseCoopers. Fees identified are commensurate with previous years.

10 BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

External Audit Plan 2011/12

11 APPENDICES

Appendix 1 – Draft External Audit Plan

Peterborough City Council

Draft External Audit Plan 2011/12

Government and
Public Sector

March 2012



The Members
Peterborough City Council
Town Hall
Bridge Street
Peterborough
PE1 1HG

March 2012

Ladies and Gentlemen

We are delighted to present to you our external Audit Plan 2011/12, which includes an analysis of our assessment of the key audit risks, our proposed audit strategy, audit and reporting timetable and other matters.

Discussion of our strategy with you enables our engagement team members to understand your concerns and agree on mutual needs and expectations to provide the highest level of service quality. Our approach is responsive to the many changes affecting the Peterborough City Council.

We would like to thank the Members and officers of the Council for their help in putting together this plan.

If you have any questions regarding matters in this document please do not hesitate to contact either Julian Rickett or Chris Hughes.

Yours faithfully

PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 7500, www.pwc.co.uk*

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

Contents

<i>Introduction</i>	2
<i>Scope of the audit</i>	3
<i>Audit approach</i>	5
<i>Key risks</i>	6
<i>Recent developments</i>	7
<i>Audit engagement team and independence</i>	9
<i>Communications plan</i>	11
<i>Timetable</i>	12
<i>Audit fees</i>	13
<i>Risk of fraud</i>	14
<i>Other engagement information</i>	16
<i>Appendix 1 – Significant and elevated risks</i>	18

Introduction

Purpose

This Audit Plan has been prepared to provide the officers and Members of the Council with information about our responsibilities as external auditors and how we plan to discharge them.

We issued our audit fee letter setting out our indicative fees for 2011/12, on 26 April 2011, in accordance with the Audit Commission requirements. This plan sets out in more detail our proposed audit approach for the year.

Every Council is accountable for the stewardship of public funds. The responsibility for this stewardship is placed upon the Members and officers of the Council. It is our responsibility to carry out an audit in accordance with the Audit Commission's Code of Audit Practice.

Based upon our discussion with management and our understanding of the Council and the local government sector, we have noted in the plan recent developments and relevant significant risks. Our plan has been drawn up to consider the impact of these developments and risks.

Period covered by this plan

This plan outlines our audit approach for the period 1 April 2011 to 31 March 2012, including the 2011/12 final accounts audit which we will undertake in July to September 2012.

Scope of the audit

We will conduct our audit in accordance with the relevant requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies (“the Audit Code”) published by the Audit Commission.

Statement of Accounts

We will conduct our audit of the Statement of Accounts in accordance with International Standards on Auditing (UK and Ireland) as published by the Auditing Practices Board. We will issue an opinion stating whether in our view:

- the Statement of Accounts provides a true and fair view and has been prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice; and
- the information given in the Explanatory Foreword is consistent with the Statement of Accounts.

In our audit report on the Statement of Accounts, we are also required to report by exception where, in our view, the Annual Governance Statement does not comply with the requirements of “Delivering Good Governance in Local Government: Framework” published by CIPFA/SOLACE in June 2007 or is misleading or inconsistent with information we are aware of from our audit.

As part of our work on the Statement of Accounts statements we will examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and issue an opinion stating whether in our view they are consistent with the Statement of Accounts.

Value for Money conclusion

Under the Audit Code we are also required to report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

As in 2010/11, we will perform the work we consider necessary to allow us to give our statutory value for money conclusion based on the following two criteria specified by the Audit Commission:

- that the Council has proper arrangements in place for securing financial resilience; and
- that the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Other reporting requirements

A standard requirement for all appointed auditors at Local Authorities is that we consider:

- Whether we need to issue a report in the public interest under s8 of the Audit Commission Act 1998;
- Whether we need to make written recommendations for the consideration of the Council under s11(3) of the 1998 Act;
- Whether we believe that the Council or one of its officers:
 - is about to make or has made a decision which involves or would involve the authority incurring expenditure which is unlawful,
 - is about to take or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency, or

- is about to enter an item of account, the entry of which is unlawful and we need to issue an advisory notice under s19A of the 1998 Act;
- Whether there is any item of account for which we need to make an application to the court under s17 of the 1998 Act for a declaration that the item is contrary to law; and
- Whether we need to apply under s24 of the 1998 Act for judicial review of any decision or failure to act by the Council which it is reasonable to believe would have an effect on the accounts.

We have not identified any risks to include in this plan in relation to the 'other reporting requirements' above.

Audit approach

Planning of our audit

We have considered the Authority's operations and have assessed the extent to which we believe there are potential business and audit risks that need to be addressed by our audit. We have also considered our understanding of how your control procedures mitigate these risks.

Materiality

We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes the consideration of the amount and nature of transactions.

For planning purposes, our overall materiality for the Council is set at 2% of gross expenditure in 2010/11. This will be updated on receipt of the 2011/12 draft accounts. Overall materiality represents the level at which we would consider qualifying our audit opinion.

However, ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial". Matters which are clearly trivial are matters which we expect not to have a material effect on the financial statements even if accumulated. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial. We propose to treat misstatements less than £250,000 as being clearly trivial.

Our audit approach is based on a thorough understanding of your business and is risk-driven. It first identifies and then concentrates resources on areas of higher risk and issues of concern to you. This involves breaking down the accounts into components. We assess the risk characteristics of each component to determine the audit work required.

We plan our work to have a reasonable expectation of detecting fraud where the potential effects would be material to the financial statements of the Authority. Based on the level of management's control procedures, we consider whether there are any significant risks of fraud that may have a material impact on the financial statements and adapt our audit procedures accordingly. We also consider the risk of fraud due to management override of controls and design our audit procedures to respond to this risk.

Our audit approach is based on understanding and evaluating your internal control environment and where appropriate validating these controls, if we wish to place reliance on them. This work is supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

Key risks

Significant and elevated audit risks

Our risk assessment forms the basis for planning and guiding all subsequent audit activities. It allows us to determine where our audit effort should be focused and whether we can place reliance on the effective operation of controls implemented by management. Risks are categorised as follows:

- **Significant** Risk of material misstatement due to the likelihood, nature and magnitude of the balance or transaction. These require specific focus in the year.
- **Elevated** Although not considered significant, the nature of the balance/area requires specific consideration.

Auditing Standards require us to include two risks as significant:

- Management override of controls;
- Income and expenditure recognition.

A summary of the risks identified for 2011/12 is set out below, with further information provided in Appendix 1.

Risk arising	Categorisation for risks	Risk assessment
Fraud -management override of controls	Accounts opinion	● Significant
Income and expenditure recognition	Accounts opinion	● Significant
Adult Social Care transfer	Accounts opinion	● Significant
Arrangements for outsourced activities	Accounts and VfM opinion	● Elevated

Recent developments

Accounting developments

New Requirements in the Code of Accounting Practice

The Code of Practice on Local Authority Accounting in the United Kingdom for 2011/12 was published in spring 2011 setting out the following substantial changes in accounting requirements for local authorities:

- For the first time in the 2011/12 Statement of Accounts, the Code requires authorities to present information about the **heritage assets** that they hold. Heritage assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Typical examples include historic buildings, civic regalia, museum and gallery collections and recordings of historic events. Where it is practicable to obtain a valuation (at a cost commensurate with the benefits to users of the Statement of Accounts), the Code now requires material amounts of heritage assets to be carried in the Balance Sheet at that valuation.

Where it is not practicable to obtain a valuation and there is no record of their historical cost, assets are to be omitted from the Balance Sheet. However, in these circumstances notes will be required explaining the significance and nature of those assets that are not reported in the Balance Sheet.

The Council will therefore need to assess whether it has any substantial portfolio of heritage assets. If so, it will determine whether an appropriate and relevant valuation can be made for the items in the portfolio and then obtain any valuations required. New notes to the accounts will also need to be prepared setting out the Council's policy for the acquisition, preservation, management and disposal of heritage assets.

- There is a new requirement for a disclosure note setting out the number of **exit packages** agreed, analysed between compulsory redundancies and other departures and presented in £20,000 bands up to £100,000 and £50,000 bands above £100,000. The total cost of packages in each band must also be disclosed. (There will be scope to combine bands if this is necessary to ensure that individual packages cannot be identified.)
- The **related parties** disclosures have been simplified where the Council has transactions with government departments and agencies, NHS bodies and other local authorities, limiting disclosure to individually or collectively significant transactions.

Carbon Reduction Commitment

2011/12 is the first year that the Council is required under the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme to purchase and surrender CRC allowances in proportion to the emissions it makes during the year. Although the surrender in relation to 2011/12 will take place in 2012/13, the Council will need to account at 31 March 2012 for the consequences of the emissions it has made in 2011/12.

When this report was issued there was no specific guidance available to local authorities as to how CRC obligations should be reflected in the Statement of Accounts. However, it is probable that provisions will need to be made at 31 March 2012 in relation to any costs likely to be incurred in meeting obligations relating to 2011/12 emissions.

Developments in auditing

Highways Infrastructure

Arrangements will not be confirmed by the Audit Commission until after the end of the financial year, but it is possible that the scope of our opinion on the Whole of Government Accounts return may be extended to include aspects of the information that the Council might be required to provide on the depreciated replacement cost of highways infrastructure assets. We will advise the Council promptly of any new responsibilities that might be confirmed once Commission arrangements are finalised.

Audit engagement team and independence

Audit engagement team	Responsibilities
Engagement Leader Julian Rickett 020 7804 0436 Julian.c.rickett@uk.pwc.com	Appointed Auditor is responsible for ensuring the audit is delivered in line with the Code of Audit Practice and ISAs. Also responsible for approving the Audit Plan, ISA (UK&I) 260 report and Annual Audit Letter, the quality of outputs and signing of opinions and conclusions. Also responsible for liaison with the Chief Executive and Members.
Senior Audit Manager: Accounts and Use of Resources Chris Hughes 020 7804 3392 Chris.hughes@uk.pwc.com	Senior Manager on the assignment responsible for overall control of the audit engagement, including the accounts work and use of resources work, ensuring delivery to timetable, and overall review of audit outputs.
Manager: Accounts and Use of Resources Jacqui short 01223 552340 jacqui.a.short@uk.pwc.com	Manager on the assignment responsible for the control of the audit engagement, including the accounts work and use of resources work, ensuring delivery to timetable, and overall review of audit outputs.
Senior Associate: Accounts Louisa Ellington Mobile: 07718340675 louisa.m.ellington@uk.pwc.com	Senior Associate on the assignment responsible for managing our accounts and work, including the audit of the statement of accounts and first point of contact during the final audit.

Our team members

It is our intention that wherever possible, our staff who work on the Peterborough City Council audit each year, develop effective relationships and gain an in depth understanding of your business. We are committed to properly controlling succession within the core team, providing and preserving continuity of team members.

We will hold periodic client service meetings with you, separately or as part of other meetings, to gather feedback, ensure satisfaction with our service and identify areas for improvement and development year on year. These reviews form a valuable overview of our service and its contribution to the business. We use the results to brief new team members and enhance the team's awareness and understanding of your requirements.

Independence and objectivity

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters.

There are no matters which we perceive may impact our independence and objectivity of the audit team.

Relationships and investments

Members and senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

Independence conclusion

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Council, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Communications plan

ISA (UK&I) 260 (revised) 'Communication of audit matters with those charged with governance' requires auditors to plan with those charged with governance (the Audit Committee) the form and timing of communications with them. Our team works on the engagement throughout the year to provide you with a timely and responsive service. Below are the dates when we expect to provide the Audit Committee with the outputs of our audit.

Stage of the audit	Output	Date
Audit Planning	Audit Fee letter	April 2011
	Audit Plan	March 2012
Audit findings	ISA (UK&I) 260 report incorporating specific reporting requirements, including:	September 2012
	<ul style="list-style-type: none"> Expected modifications to the auditors' report 	
	<ul style="list-style-type: none"> Uncorrected misstatements i.e. those misstatements identified as part of the audit that management have chosen not to adjust 	
	<ul style="list-style-type: none"> Significant deficiencies in internal control identified during the audit 	
	<ul style="list-style-type: none"> Views about the qualitative aspects of the entity's accounting practices and financial reporting 	
	<ul style="list-style-type: none"> Any significant difficulties encountered by us during the audit 	
	<ul style="list-style-type: none"> Summary of findings from our use of resources work to support our VFM conclusion. 	
	<ul style="list-style-type: none"> Matters specifically required by other ISAs (UK&I) to be communicated to those charged with governance 	
Audit reports	Financial statements including Use of Resources	September 2012
	Other public reports	
	Annual audit letter	November/ December 2012
	A brief summary report of our work, produced for Members and to be available to the public.	
	Annual certification report to those charged with governance	November/ December 2012
	Report detailing the value of each certified claim, details of any amendments and qualifications, certification fees charged and a discussion of issues arising, including recommendations for improvement where necessary.	

Timetable

Month/Deadline	Audit activity
26 March 2012	Review of Draft External Audit Plan by the Audit Committee
April 2012	Interim audit
July to August 2012	Statement of Accounts audit
September 2012 (date to be determined)	Final version of ISA (UK&I) 260 Report to those Charged with Governance
30 September 2012	Deadline for issue of: <ul style="list-style-type: none"> • Audit Opinion on the Statement of Accounts; • Value for Money Conclusion; and • Opinion on the Whole of Government Accounts return
30 November 2012 (to be confirmed)	Deadline for issue of Annual Audit Letter

Audit fees

The Audit Commission has provided audit fee levels for local government bodies for the 2011/12 financial year, based on the fee for 2010/11 adjusted for the reductions set out in the final work programmes and scales of fees documents available on the Commission's website. The fee scale for the audit of the Council is £239,400.

The scale fee takes into account assessments we made in 2010/11 about audit risk and complexity, and the Commission expects variations from the scale fee to occur only where these factors are significantly different from those identified and reflected in the 2010/11 fee.

Our assessments about audit risk and complexity have been based on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We are able to place reliance, as planned, upon the work of internal audit;
- We are able to draw comfort from your management controls;
- We are able to place reliance on the work of internal audit in respect of our value for money conclusion;
- No significant changes being made by the Audit Commission to the value for money criteria on which our conclusion will be based;
- An early draft of the Annual Governance Statement being available for us to review prior to 31 March 2012;
- Our value for money conclusion and accounts opinion being unqualified.

If these prove to be unfounded or other changes in audit risk or complexity are identified, we will seek a variation order to the agreed fee, to be discussed in advance with you.

The fee for grants claims in 2011/12 is estimated at £45,000.

Risk of fraud

International Standards on Auditing (UK&I) state that we as auditors are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility

Our objectives are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

Management's responsibility

Management's responsibilities in relation to fraud are:

- to design and implement programmes and controls to prevent, deter and detect fraud;
- to ensure that the entity's culture and environment promote ethical behaviour; and
- to perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.

Responsibility of the Audit Committee

Your responsibility as part of your governance role is:

- to evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate "tone at the top"; and
- to ensure any alleged or suspected instances of fraud brought to your attention is investigated appropriately.

Conditions under which fraud may occur

Management or other employees have an incentive or are under pressure

Incentive / pressure

Why
commit
fraud?

Opportunity	Rationalisation/attitude
Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls	Culture or environment enables management to rationalise committing fraud – attitude or values of those involved, or pressure that enables them to rationalise committing a dishonest act

Your views on fraud

We enquire of the Audit Committee:

- Whether you have knowledge of fraud; actual, suspected or alleged, including those involving management?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud; actual, suspected or alleged?

Other engagement information

The Audit Commission appoint us as auditors to the Peterborough City Council and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors

There are four further matters which are not currently included within the guidance, but which our firm's practice requires that we raise with you.

Electronic communication

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, Members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Access to audit working papers

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE99 1PL, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look

into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of accounts and their publication

ISA (UK&I) 560 places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.

Appendix 1 – Significant and elevated risks

Our risk assessment forms the basis for planning and guiding all subsequent audit activities. It allows us to determine where our audit effort should be focused and whether we can place reliance on the effective operation of controls implemented by management. Risks are categorised as follows:

- Significant Risk of material misstatement due to the likelihood, nature and magnitude of the balance or transaction. These require specific focus in the year.
- Elevated Although not considered significant, the nature of the balance/area requires specific consideration.

Financial Statements risks

Risk	Significant / elevated risk	Reason for risk identification	Audit approach
Management override of controls	●	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of the organisations policies, aims and objectives and to manage the risks facing it; this includes the risk of fraud.</p> <p>Our audit is designed to provide reasonable assurance that the 2011/12 Accounts are free from material misstatement, whether caused by fraud or error. We are not responsible for preventing fraud or corruption, although our audit may serve to act as a deterrent.</p> <p>We consider the manipulation of financial results through the use of journals and management estimates, such accruals as significant fraud risks.</p>	<p>We will understand and evaluate controls relating to income and expenditure recognition and:</p> <ul style="list-style-type: none"> ● seek to place reliance on internal audit work on key controls; and ● reperform a sample of tests carried out by internal audit around key controls to confirm they are operating effectively. <p>We will consider the accounting policies adopted by the Council and subject income and expenditure to the appropriate level of testing to identify any material misstatement.</p> <p>We will carry out cut off testing on expenditure at year end to ensure that expenditure has been recorded in the correct financial year.</p> <p>We will test expenditure invoices to ensure they have been correctly classified in the financial statements as either revenue or capital expenditure.</p> <p>We will test the appropriateness of journal entries.</p> <p>We will review accounting estimates for biases and evaluate whether circumstances producing any bias, represent a risk of material misstatement due to fraud.</p> <p>We will evaluate the business rationale underlying significant transactions.</p> <p>We will also carry out the required certification work in respect of the</p>

Risk	Significant / elevated risk	Reason for risk identification	Audit approach
Recognition of income and expenditure	●	<p>We consider the risk of material misstatement in relation to revenue recognition and because of the nature of local authorities we consider the risk of material misstatement in relation to expenditure recognition as well.</p> <p>There is a risk that the Council could adopt accounting policies or treat income and expenditure transactions in such a way as to lead to material misstatement in the reported income and expenditure position.</p> <p>Due to their nature, we do not consider the receipt of council tax, national non domestic rates, financing income or revenue support grant to be a significant risk and these income streams are therefore excluded from this category.</p> <p>The Council is likely to be experiencing increased pressures on many of its budgets as a result of the recent economic conditions. Budget holders may feel under pressure to try to push costs into future periods, or to miscode expenditure to make use of resources intended for different purposes.</p>	<p>Housing and Council Tax Benefit Subsidy for the year.</p> <p>We also use our work on income and expenditure recognition set out below to help address the risk of material misstatement caused by management override of controls.</p> <p>We will perform 'unpredictable' audit procedures in addition to those set out above.</p> <p>We will obtain an understanding of the controls over the key revenue and expenditure streams.</p> <p>We will evaluate and test the accounting policy for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting.</p> <p>We will also perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk, including carrying out cut-off testing on expenditure at year end to ensure that expenditure has been recorded in the correct financial year.</p> <p>We will carry out certification of government grants in accordance with the Audit Commission's requirements, including the Housing and Council Tax Benefits return.</p>
Adult Social Care transfer	●	<p>Adult Social Care services were delivered by Peterborough Primary Care Trust under a Section 75 agreement which terminated 29 February 2012. On 1 March 2012, the service transferred to the Council.</p> <p>The transaction will involve the TUPE of staff to the Council from Peterborough Primary Care Trust.</p> <p>The Council must consider how the transfer should be accounted for in accordance with the guidance in the CIPFA Code. This may involve "merger accounting" and the restatement of prior year comparatives depending on whether relevant criteria are met.</p> <p>Additionally, the transfer of staff will have implications for the accounting of pensions and the appropriate pension liability in relation to these staff.</p>	<p>We will discuss and consider management's conclusions regarding the accounting treatment of the transfer of Adult Social Care.</p> <p>We will also consider whether the accounts include sufficient disclosure of the transaction.</p>

Other Audit Code responsibilities risks

We have not identified any risks impacting on our other Audit Code responsibilities (primarily the requirement to provide a value for money conclusion).

Risk	Significant / elevated risk	Reason for risk identification	Audit approach
Arrangements for outsourced activities	●	<p>The Council has a number of outsourced arrangements for the delivery of front line and back office services.</p> <p>As well as needing to ensure that the appropriate accounting treatment is used in relationship to the arrangements, there is a risk that these services may not be appropriately monitored, so that any issues regarding the delivery of these services are not addressed promptly.</p>	<p>As well as understanding the accounting treatment, we will discuss with management the arrangements the Council has put in place to monitor the performance services it has outsourced.</p>



This document has been prepared only for Peterborough City Council and solely for the purpose and on the terms agreed with Peterborough City Council. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

© 2012 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

ML1-2012-02-06-09 31-RP

This page is intentionally left blank

AUDIT COMMITTEE	AGENDA ITEM No. 7
26 MARCH 2012	PUBLIC REPORT

Cabinet Member responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

DRAFT INTERNAL AUDIT PLAN 2012 / 2013

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director: Resources	Deadline date : N/A
<p>The Committee is asked to consider, endorse and approve the:</p> <ol style="list-style-type: none"> 1. Proposed Annual Internal Audit Plan for 2012 / 2013; 2. Internal Audit Strategy for 2012 / 2013; 3. Internal Audit Terms of Reference (referred to as the Internal Audit Charter); and 4. Internal Audit Code of Ethics 	

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its agreed Work Programme for 2011 / 2012.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to review various Internal Audit documents to ensure that they remain up to date and compliant with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Audit Committee is recommended to consider and approve the Annual Internal Audit Plan (**Appendix 1**); the revised Strategy (**Appendix 2**); the Internal Audit Terms of Reference (**Appendix 3**) and the Code of Ethics (**Appendix 4**).

2.2 This report is for Committee to consider under its Terms of Reference:

- 2.2.2 To consider a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements; and
- 2.2.17 To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	----	---	-----

4. INTERNAL AUDIT PLAN (Appendix 1)

- 4.1 The Local Government Act 1972 details the need for an Internal Audit function in its requirement that authorities “make arrangements for the proper administration of their financial affairs”. In England, the Accounts and Audit Regulations 2011 specifically require that an authority must “*maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control*”.
- 4.2 Internal Audit is an integral part of probity and corporate governance. It operates as an **independent assurance function** designed to give an objective opinion to the Council on the control environment, comprising risk management, internal control and governance. It adds value to the Council by improving its operations and contributing to the proper, economic, efficient and effective use of resources.
- 4.3 The Annual Operational Plan describes the individual audit reviews to be undertaken during the year. To determine the scope of the plan for 2012 / 2013 we have undertaken a systematic risk assessment of all auditable areas. This is informed by our review of the risk registers where available, consultation with Directors and Heads of Service, council and government initiatives and the Medium Term Financial Strategy. We have also determined the work required to fulfill statutory s.151 responsibilities.
- 4.4 The plan shows the minimum amount of work that the Internal Audit service has assessed should be undertaken after considering available resources. The plan for 2012 / 2013 is not a static document. The Chief Internal Auditor reserves the right to amend plans (in consultation with the s151 officer) in line with emerging risks and changing priorities as they occur throughout the year. Any major changes in the plan will be reported to those charged with governance and through to the Audit Committee on a periodic basis.

5. INTERNAL AUDIT CODE OF PRACTICE

- 5.1 The Council is required under the Accounts and Audit Regulations 2011 to make provision for Internal Audit in accordance with proper practices in relation to internal control defined in the Guidance as the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (“the Code”).
- 5.2 “The Code” defines standards on the way in which the Internal Audit Service should be established and undertake its functions. “The Code” is currently under review by CIPFA and a revised Code is due for publication in 2012. The Code is split into standards, organisational and operational, and specifically requires Internal Audit to have a Strategy, Terms of Reference, and a Code of Ethics. The Council’s Section 151 officer (the Director of Strategic Resources) is required to demonstrate adherence to this Code.
- 5.3 **Audit Strategy (Appendix 2)**
- 5.3.1 The Audit Strategy documents the way in which Internal Audit intend to deliver the service and how we ensure that our work complies with the standards contained in the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006. In particular, it states how the work of Internal Audit will provide the assurances required for the production of the statutory Annual Governance Statement. We will achieve this by adopting a risk-based approach to our work; both at the level of annual planning and of individual audits, to ensure that the Council’s key priorities, objectives and risks are targeted.

5.4 Terms of Reference (Appendix 3)

- 5.4.1 The Terms of Reference is a written statement of the purpose, authority, role, scope and principal responsibilities of an Internal Audit section. It is required because of the unique way in which such a section functions. Internal Audit needs authority to act outside its own departmental boundaries, in all parts of the Council, so as to provide those charged with governance independent assurance over the control environment. This requirement cuts across other hierarchical reporting lines.
- 5.4.2 This CIPFA Code of Practice specifies the need for thus to be approved by those charged with governance. Of particular importance is the need for Internal Audit to be independent. It should have no operational responsibilities, and the Head of Internal Audit should have direct access and freedom to report in his own name, without fear or favour, to all officers and members and particularly those charged with governance. The status of the Internal Audit section, in terms of its reporting lines and the seniority of the Head of Internal Audit is a fundamental aspect of independence.
- 5.4.3 It is also important that the scope of Internal Audit is not unduly limited. It should cover the whole control environment comprising risk management, internal control and governance. It should include all the Council's operations, systems, projects, resources, services and responsibilities in relation to other bodies.
- 5.4.4 As well as covering the above points, it describes certain audit protocols, so that management understand their responsibilities in the audit process and are made aware of what they can expect from Internal Audit.

5.5 Code of Ethics (Appendix 4)

- 5.5.1 The Code of Practice contains requirements to set minimum standards for the performance and conduct of all internal auditors and includes five main principles – Integrity; Objectivity; Competence; Confidentiality and Professional Behaviour.
- 5.5.2 The current Code of Ethics continues to be based on best practice, the CIPFA publication, "Ethics and You" (2006).

6. **CONSULTATION**

The Internal Audit Plan has been compiled after consultation with Directors and Heads of Service. It has also been submitted to External Audit for their comments.

7. **ANTICIPATED OUTCOMES**

Approval of the Annual Plan 2012 / 2013 and associated documents.

8. **REASONS FOR RECOMMENDATIONS**

The Council is subject to the Accounts and Audit Regulations and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. The attached reports demonstrate how the audit service will be provided and how it will contribute to the Statement.

9. **ALTERNATIVE OPTIONS CONSIDERED**

The Internal Audit plan could be constructed on a cyclical basis, thus covering all areas of the Council over a period of time. This does not concord with current professional guidance and would not seek to target the limited resource available to

areas of high risk. The alternative of not providing an Internal Audit service is not an option – see section 10 below.

10. IMPLICATIONS

There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

- CIPFA: Code of Practice for Internal Audit in Local Government in the UK 2006;
- CIPFA: Ethics and You (2006);
- Accounts and Audit Regulations 2011;
- Local Government Act 1972;
- Committee papers; and
- Risk Registers.

11. APPENDICES

- Appendix 1 – Annual Internal Audit Plan
- Appendix 2 – Audit Strategy
- Appendix 3 – Internal Audit Terms of Reference
- Appendix 4 – Code of Ethics

APPENDIX 1**PETERBOROUGH CITY COUNCIL****INTERNAL AUDIT OPERATIONAL PLAN 2012 / 2013****1 Introduction**

- 1.1 This document sets out the division of responsibilities between managers and Internal Audit Services, and presents the Internal Audit Operational Plan for 2012 / 2013.

2 Division of Responsibilities

- 2.1 It is management's responsibility to manage the systems of the Council in a manner in which:

- Ensures the plans and intentions of the organisation are delivered, (including those outlined in plans, policies and procedures) and are in compliance with the laws / regulations under which the organisation operates);
- Ensures the reliability of data and information used either internally or reported externally;
- Safeguards the organisations resources; and
- Promotes efficient and effective operations.

- 2.2 Controlling is an integral part of managing operations and as such internal auditors independently review how efficient management discharges this aspect of its responsibilities by evaluating the effectiveness of systems and controls and providing objective analyses and constructive recommendations. Management retain full ownership and responsibility for the implementation of any such recommendations.

3 Development of the Internal Audit Plan

- 3.1 In developing the Annual Plan, it is important that audit resources are directed in line with the priorities of the Council, taking into account an assessment of risk. In order to achieve this, a systematic assessment and planning methodology is used, as set out in the Audit Strategy.

- 3.2 The methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides a view of the overall internal control environment, a key part of Corporate Governance. All of the reviews undertaken are underpinned by the driving principle of *delivering value for money*.

4 Audit Resources

- 4.1 As at March 2012, our current establishment level is 7.3 full time equivalents (fte), which is comparable with last year. Actual resource levels are lower due to vacancy, a recent resignation (February 2012) and an individual on maternity leave (return date due June 2012). The Chief Internal Auditors role continues as part of the shared services arrangement with Cambridge City Council, resulting in 50% of time made available within each authority. The amount of time within each authority may be reduced further during the year if other authorities join as part of the shared service arrangement.
- 4.2 Going forward resources will improve slightly with one officer returning from maternity leave on a part time basis increasing staffing levels but with the vacancies unfilled there will be a resource level of 4.25 FTE for 2012 / 2013. At this level, the plan provides for a minimum service in line with statutory requirements. Any shortfall in this resource level will be managed by reducing the scope in some areas, as there is limited scope to remove audits completely from the plan.
- 4.3 For comparison, the plan also shows the additional work that could be carried out if the vacancies are filled from July 2012. This work includes some critical areas of the business which internal audit considers appropriate to be undertaken along with other management reviews that have been requested.
- 4.4 It is understood at the time of this report that it may be possible to recruit in the near future with a further review during the year when the impact of services such as Adult Social Care transferring into the business and the increased amount of grant activity becomes clearer. If recruitment is not possible to cover the current vacancies the plan will be prioritised to best meet business needs.

5 Draft Audit Plan Overview

- 5.1 The table below summarises the planned allocation of productive days for 2012 / 2013.

INTERNAL AUDIT: ANNUAL PLAN 2012 / 2013	Audit Days	
	Vacancies unfilled	Vacancy filled
Systems Activity	58	96
Annual Governance and Assurance Framework	124	124
Strategic and Operational Risks	100	425
External Work	40	70
Corporate Support	240	270
TOTAL PLANNED AUDIT DAYS	572	985

- 5.2 It can be seen from the table above that the plan shows the main audit areas by categories rather than directorates. This is to better demonstrate the coverage and impact of the audit activities across the organisation. The individual audit reviews and service areas are analysed in greater detail in section 8 of this document.

- 5.3 Those areas not included in the plan this year will be considered for review on a cyclical basis in future years. However, it is anticipated that audits of low priority areas will not occur unless a risk assessment results in an increased priority level.
- 5.4 The plan for 2012 / 2013 is not a static document. The Chief Internal Auditor reserves the right to amend plans in line with emerging risks and changing priorities as they occur throughout the year, following consultation with the s151 officer. Any major changes in the plan will be discussed with those charged with governance and reported to the Audit Committee.

6 Key Points

6.1 External Works

The plan shows that we carry out work for external bodies, which generates income. For 2012 / 2013 this work consists of a provision for audit services to Vivacity. We are also planning to market our services externally, in order that we may generate income for the authority.

6.2 Core Systems Assurance Work

Audits of all the main financial systems of the Council are undertaken on a cyclical basis as in consultation with external audit. We will adopt a key-control approach for these audits, but will review each of them in more depth over a three year period. We will co-ordinate our work with that of the external auditor (PwC) to ensure that reliance can be placed on the work provided by Internal Audit in accordance with PwC's three year rolling programme.

6.3 Annual Governance

Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. Internal Audit will continue to undertake reviews to support this process covering areas such as governance arrangements for partnerships, project management and information governance.

6.4 Strategic and Operational Risks

Our plan has been developed to test the adequacy and effectiveness of the control environment put in place to mitigate the council's principal risks and to provide the assurance required on key controls. The impact of our reduced resource levels is greatest in this area of the plan.

6.5 Anti-Fraud and Corruption Arrangements

The roles and responsibilities for fraud investigations continue to operate in line with the Memorandum of Understanding between Internal Audit and the Governance Team. Internal Audit evaluates the control weaknesses that have allowed a fraud to take place or remain undetected, and provides recommendations to improve fraud prevention and detection. Internal Audit's role may also include involvement in major fraud investigations.

6.6 Contingency

Throughout the year, audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. The contingency provision included within the plan for such events has been significantly reduced in line with lower resource levels. In this time of

change, it is not expected that the number of management requests will diminish, therefore we will introduce a prioritization process and deal with them accordingly.

7 Reporting Protocols

- 7.1 At the conclusion of each individual audit a Draft Report and proposed Action Plan will be forwarded to the appropriate manager within the client department. Once agreement has been reached a Final Report and Action Plan will be forwarded to the relevant Chief Officer. In accordance with our reporting arrangements, all audit reports are brought to the attention of the Leader of the Council, Chief Executive, Executive Director Resources, Cabinet Member for Resources and Chair of Audit Committee.
- 7.2 A half yearly progress report will be presented to the Audit Committee indicating the level of achievement against agreed targets and any major findings arising from the audit work undertaken. All audit reports with 'NO' or 'LIMITED' assurance will be shared with the Audit Committee in the form of an Executive Summary as part of this process.
- 7.3 An annual report will be prepared for Audit Committee in order to give assurance or otherwise to Members that they can rely on the internal control framework of the Council.

8 Detailed Plan

- 8.1 Documented below is the audit activity proposed, with its link to the strategic vision, where appropriate.

PETERBOROUGH CITY COUNCIL: INTERNAL AUDIT PLAN 2012 / 2013

VISION FOR THE CITY

STRATEGIC PRIORITIES	
1	Creating the UK's Environment Capital
2	Creating strong and supportive communities
3	Delivering substantial and truly sustainable growth
4	Creating opportunities – tackling inequalities
5	Providing value for money underpins all of our activities

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment which encompasses the systems of governance, risk management and internal control, by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, efficient and effective use of resources (*CIPFA Code of Practice for Internal Audit in Local Government 2006*).

PLAN WITHOUT VACANCY FILLED

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
CORE SYSTEM ASSURANCE WORK					
Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems. These therefore feature in the plan every year.					
Housing Benefit	5	A review of key controls, in accordance with PwC requirements.	Yes	External Audit reliance work	SERCO
Council Tax	5	A review of key controls, in accordance with PwC requirements	Yes	External Audit reliance work	SERCO
NNDR	5	A review of key controls, in accordance with PwC requirements.	Yes	External Audit reliance work	SERCO
Accounts Payable	5	Systems based approach considering key risk exposures. Testing to provide assurance that all payments are valid, accurate, and timely.	Yes	Major changes to system	SERCO
Payroll	5	A review of key controls, in accordance with PwC requirements.	Yes	External Audit reliance work	SERCO
Budgetary Control	5	Review of the control arrangements within Adult Social Care.	Yes	New service transferring into the Council	Strategic Resources

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK					
Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement, as well as areas that constitute key aspects of corporate governance, which are reviewed in line with risk levels.					
Assurance Framework and Annual Governance Statement Review	ALL	Process and framework to feed into work on Annual Governance Statement, including the review recommendations made by Audit Commission in their annual letter and verify implementation (progress).	Yes	Corporate responsibility	Corporate
Annual Audit Opinion	ALL	Head of Internal Audit opinion on the state of governance and the internal control framework in place within Peterborough City Council.	Yes	Corporate responsibility	Corporate
Annual Audit Plan	ALL	A determination of the annual audit plan based on our own systematic risk assessment. This includes a review of corporate risk registers and the Medium Term Financial Plan, as well as consultation with Directors and Heads of Service.	Yes	Corporate responsibility	Corporate
Internal Audit Effectiveness	5	Review of the internal audit service against best practice guidelines.	Yes	Corporate responsibility	Corporate
Anti-fraud Culture	ALL	Investigation of matches from NFI. Evaluation of control weaknesses that have allowed a fraud to take place or remain undetected, and providing recommendations to improve fraud prevention and detection, in line with our Memorandum of Understanding with the Governance Team.	Yes	Corporate responsibility to protect finite resources	Corporate
Information Governance	ALL	Information sharing review in conjunction with the Strategic Governance Board to include the implications for the organisations resulting from case law rulings.	Yes	Corporate responsibility to protect finite resources	Corporate
Project Governance	ALL	To provide assurance that the Council's projects are managed in accordance with best practice. We will review projects across several portfolios. This will include, where appropriate, post-implementation reviews in order to evaluate whether benefits have been realised.	Yes	Ensure finite resources are appropriate managed	Corporate

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
STRATEGIC and OPERATIONAL RISKS					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
Risk Management and Business Continuity	ALL	Review the effectiveness of processes in place as a result of organisational and responsibility changes for risk management and business continuity	Yes	Ensure Council position is protected	Corporate
Adult Social Care Database	ALL	Review the controls and implementation of the new Adult Social Care data base acting as a critical friend in relation to controls and governance arrangements.		Service and new system transferring into the Council	Adult Social Care
Schools	2 , 4, 5	The Schools Financial Value Standard (SFVS) has been introduced as a replacement to the previous FMSiS accreditation assessment. Chief Financial Officers will be required make a statement that they have a system of audit in place which gives them adequate assurance over schools' standards of financial management and the regularity and propriety of their spending. Reviews of School processes to be reviewed in accordance with risk assessment priorities Limited coverage of two schools	Yes	Ensure finite resources are appropriate managed	Children's Services
Partnership Performance Arrangements	ALL	Review the processes in place with regards to performance indicator monitoring arrangements in relation to Enterprise to include the appropriateness and data quality.	Yes	Ensure Council position is protected	Strategic Resources
Partnership Management	ALL	A review of client management arrangements in place for SERCO ICT and Manor Drive service delivery.	Yes	Ensure Council position is protected	Strategic Resources

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
EXTERNAL WORK Work which generates an income for the Council.					
Vivacity	-	Work agreed as part of a service level agreement	Yes	Contractual requirement	External

OTHER RESOURCE PROVISIONS (CORPORATE SUPPORT) Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.					
Carry Forward Activities	ALL		Yes		Corporate
Follow Up Provision	ALL		Yes		Corporate
Fraud / Irregularity Contingency	ALL	Time is included within the plan for undertaking proactive counter fraud-work, together with reactive work where suspected irregularities have been detected.	Yes		Corporate
Requested Work Contingency	ALL	Allowance exists to provide flexibility within the audit plan - for time spent on providing risk and control advice to officers, management and members; and ad hoc requests and consultancy work	Yes		Corporate
Grant Claim Certification	5	Teachers Pension Arrangements, ZECOS, CTIE, Disabled Facilities Grant, DFT (Local Plan Integrated Transport), DFT (Local Transport Plan Highways)	Yes		Corporate
Committee Support	-	Production of reports and attendance at Council committees and boards (for example the Strategic Governance Board).	Yes		Corporate

TOTAL RESOURCES ALLOCATED WITHOUT VACANCIES FILLED

ADDITIONAL WORK WITH VACANCY FILLED

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
CORE SYSTEM ASSURANCE WORK					
Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems. These therefore feature in the plan every year.					
Main Accounting System	5	A review of key controls to include feeder system input and reconciliations.	Yes	Ensure finite resources are appropriate managed	Strategic Resources
Fixed Asset Accounting	5	To identify the controls in operation for the identification of assets, disposal and arrangements for inclusion on the fixed asset register, to include appropriate accounting processes.	Yes	Ensure finite resources are appropriate managed	Strategic Resources
Purchasing Cards	5	Systems based approach considering key risk exposures. Testing to provide assurance that all payments are valid and accurate.		Ensure finite resources are appropriate managed	Corporate
Budgetary Control	5	A review of the budgetary control arrangements within the organisation.	Yes	Ensure finite resources are appropriate managed	Corporate

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
STRATEGIC and OPERATIONAL RISKS					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
Localism Bill	ALL	A review of the impact on service delivery as a result of this new legislation, particularly in relation to financial control and governance.	Yes	Service delivery and financial control implications	Corporate
Project delivery	ALL	Acting as a critical friend in current projects to review service delivery arrangements	Yes	Service delivery, financial and reputational risks	Corporate
Carbon Management	1, 5	Data quality review prior to the submission of information regarding the Carbon Reduction commitment and carbon trading return. Environment Agency requirements are that the data is audited	Yes	Ensure finite resources are appropriate managed	Operations
Contracting	5	To review specific aspects of the contracting process across a variety of contracts. This will include the process for dealing with conflicts of interest and also authorisation controls.		Ensure finite resources are appropriate managed	Corporate
Schools	2, 4, 5	Reviews of School processes to be reviewed in accordance with risk assessment priorities Extend coverage by a further four schools	Yes	Ensure finite resources are appropriate managed	Children's Services
ASC Performance Management	ALL	Review the performance management processes in operation with regards to Finance and Activity monitoring	Yes	New service transferring to the council and Management request	Adult Social Care
ASC Risk Management and Business Continuity	ALL	Review of the risk management processes in place to align with organisational changes.	Yes	New service transferring to the council and Management request	Adult Social Care
ASC Policies and Procedures	ALL	Compliance with policies and procedures.	Yes	New service transferring to the council and Management request	Adult Social Care

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
STRATEGIC and OPERATIONAL RISKS					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
ASC Integrated Community Equipment Store		Review the use of the Integrated Community Store with regards to stock control and returns		New service transferring to the council and Management request	Adult Social Care
Public Health	ALL	Reviewing the performance indicator framework in place regarding performance to include data integrity.	Yes	New service transferring to the council and Management request	Operations
Welfare Reform	ALL	Establish and review arrangements for the implementation of the new Welfare Reform Act		Changes in Legislation	Corporate
Integrated Case Management System / RAISE		To review the access arrangements within the Childrens Services new Integrated Case Management System to ensure appropriate data security and management of conflicts of interests. This will also encompass the arrangements to retain data within Raise covering a similar scope of data security.		Ensure finite resources are appropriate managed	Children's Servoces
Car Loans	5	To review the arrangements and policies in relation to staff car loans.		Management request	Strategic Resources
Oracle system / R12 upgrade	5	Review of the Oracle system upgrade programmed during the year. Act as a critical friend with regards to system controls.		Management request	Serco
Private, Voluntary and Independent Financing	ALL	A process review in relation to Nursery Education Funding resulting from organisational responsibility and process changes.		Change of management responsibility and management request	Children's Services
CRB	ALL	Compliance with CRB checking processes		Management request	Corporate
IT Licensing	5	Compliance with license requirements.		Ensure finite resources are appropriate managed	SERCO

SERVICE / SYSTEM	COUNCIL OBJECTIVE	AUDIT SCOPE	Critical		Directorate
			Yes	Reason	
STRATEGIC and OPERATIONAL RISKS					
Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.					
IT Security	ALL	To look system access controls, particularly in relation to authorisation rights and control processes regarding leavers and document retention.		Information governance	Corporate
Internet Usage	5	An analysis of staff internet usage to ensure that it is being used appropriately within working hours.		Ensure finite resources are appropriate managed	Corporate
Transparency Agenda	ALL	Compliance with the requirements of the Transparency Agenda and data integrity		Corporate responsibility	Corporate
Learning / Disability Partnership	2,4,5	This service has transferred back to the Council from the PCT. The audit will encompass a process review to ensure the framework in place is appropriate to ensure we are delivering the requirements of the section 75 agreement.	Yes	New service and management request	Adult Social Care
ERDM	1,5	To review compliance with procedures and policies to ensure business efficiencies are achieved.		Management request	Corporate
Managing Attendance	ALL	Review and compliance with the corporate policy		Ensure finite resources are appropriate managed	Corporate
Co-commissioning arrangements with the Voluntary Sector	ALL	To review the processes in relation to the awarding of grants or commission of grant funded activity in line with the Localism Act.		Process change and management request	Operations
Telecom charges	ALL	To confirm appropriate processes are in place to avoid duplicate payments and appropriate use of mobile phone.		Ensure finite resources are appropriate managed	Corporate
EXTERNAL WORK					
Work which generates an income for the Council.					
Other	-	Contingency for external work which may be won during the course of the year.	Yes	Business need	External

This page is intentionally left blank

PETERBOROUGH CITY COUNCIL

INTERNAL AUDIT STRATEGY 2012 / 2013

1 Introduction

1.1 This document sets out the Internal Audit strategy, as required by The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code). It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council by:

- providing the Chief Executive, Section 151 Officer and Audit Committee with an overall opinion each year on the Council's control environment to support the Annual Governance Statement requirements;
- preparing audit plans that give suitable priority to the Council's objectives and key risks and concentrate resources on areas that have been identified as being the most vulnerable;
- providing suggested actions to line management at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks identified;
- identifying the audit resources required to deliver an audit service that meets required professional standards;
- providing regular reports to the Audit Committee; and
- complying with professional standards.

1.2 The strategy will be reviewed on an annual basis to ensure its continued relevance, both in terms of supporting the council's aims and in achieving a professional, modern audit service.

2 Regulatory Framework

2.1 There are legislative requirements that relate to the provision of an internal audit within local authorities, namely:

- The Local Government Act 1972 (s151) requires that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". In Peterborough City Council (PCC) the responsible financial officer is the Director of Strategic Resources and one of the ways he exercises his responsibility for financial administration is through the work of internal audit.
- The Accounts and Audit Regulations 2011. In order to comply with these regulations the Council needs to maintain an adequate and effective system of internal control, in accordance with proper internal audit practices, these being set out in the CIPFA Code of Practice for Internal Audit in Local Government.

3 Professional Standards and Ethics

3.1 Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the primary public sector accountancy body in the United Kingdom. In 2006, CIPFA published a revised Code of Practice for Internal Audit in Local Government (CIPFA Code).

The Chief Internal Auditor shall ensure that the standards contained within the Code are applied to the work of the Internal Audit service. Any standards that cannot be complied with in full shall be discussed with the s151 Officer and agreement reached as to the alternatives to be accepted. Substantial differences shall be reported to the Audit Committee.

External Audit conduct regular reviews of the work of Internal Audit in order to place reliance on it to satisfy their needs in produced the Annual Audit Letter for reporting to Audit Committee. In addition, Internal Audit will conduct a periodic self-assessment during the intervening period to ensure continuing compliance with the Code.

The Terms of Reference (referred to as the Audit Charter) describes how Internal Audit complies with the Code provisions. It sets out Internal Audit's terms of reference, its scope of work, the standards and protocols by which it operates, and how it derives its authority and independence. The Audit Charter is annually reviewed and approved by Audit Committee (**Appendix 3**).

3.2 Chartered Institute of Internal Auditors - UK (CIIA - UK)

The CIIA is an international association dedicated to the continuing professional development of the individual internal auditor and the internal auditing profession. The CIIA has produced Standards for the Professional Practice of Internal Auditing. These standards are a means by which the conduct of any individual auditor and the operations of any internal auditing organisation may be evaluated and measured.

3.3 Ethics

The CIPFA Code of Practice and the CIIA International Code of Ethics for Internal Audit set out minimum ethical standards for the performance and conduct of internal auditors. All internal audit staff are required to understand and comply with these standards of ethics, in addition to those required by professional institutes of which they are members. The principles that must be observed are Integrity; Objectivity; Competence; and Confidentiality. PCC has adopted its own code of ethics (based on the standard) and this was approved by Audit Committee in March 2007. This policy has been reviewed, and is included for approval as **Appendix 4** to the report.

4 **Provision of Internal Audit**

PCC currently delivers its service in-house with an establishment of 7.3 full time equivalents (fte) comprising: Chief Internal Auditor (0.5 fte); Group Auditors (1.3 fte); Principal Auditor (1 fte); Senior Auditors (2.5 fte); Auditor (2 fte). Actual resource levels are lower due to vacancy, a recent resignation (February 2012) and an individual absent due to maternity leave (due to return June 2012 in a reduced capacity 0.6 fte). Attempts to utilise agency cover in the early part of 2012 proved unfruitful due to the unsuitability of candidates at that time. Vacancies will be filled in line with corporate policies and agency staff may be used where appropriate. A further review of resources will be undertaken during the year when the impact of services such as Adult Social Care transferring into the business and the increased amount of grant activity becomes clearer. Shortfalls in resources will be managed by ensuring that audit work is prioritised to ensure that at least a statutory minimum service is provided.

A shared service arrangement with Cambridge City Council has been in operation since January 2011 with the aim of sharing knowledge and best practice, increasing flexibility and efficiency and driving down costs through economies of scale. The

audit teams continue to remain as two distinct entities with the main impact for PCC resulting in a 50% reduction in the time available from the Chief Internal Auditor, along with an associated reduction in costs. This shared service model is due to continue and is likely to be extended by at least one more authority during 2012 / 2013. This may therefore result in further savings to the authority but will similarly result in a reduced amount of the Chief Internal Auditors time that is available to Peterborough. Savings generated will be used to “pump prime” additional improvements in the service as identified through business plans as well as going back to the corporate pot to assist in meeting future budget pressures. The success of this arrangement will be monitored with a view to developing a merged trading organisation capable of bidding for, and winning, other contracts.

Peterborough Audit utilises a separate software package to hold all our audit programmes, working papers, reports etc. and we are in the process of providing this to Cambridge as well. While maintaining the data of the two organisations separately – to ensure client confidentiality etc – this will have a number of benefits to increase efficiency, standardisation etc.

5 Internal Audit Manual

5.1 In order to deliver its role effectively, Internal Audit continues to review its Audit Manual. The manual sets out the processes for planning, implementing, checking and reviewing the way in which audit services are delivered. The objectives of the manual are to:

- State clearly roles and responsibilities i.e. our Terms of Reference;
- Describe the organisational, managerial and planning arrangements in place;
- Explain the standard procedures to be followed and documentation to be completed;
- Consolidate all relevant information concerning the work of the service in order that a consistent approach can be achieved within a flexible framework;
- Prescribe how Internal Audit will manage its resources;
- Prescribe the means by which Internal Audit will look for continuous improvement; and
- Provide a basis for the training and development of staff.

5.2 The Audit Manual has been produced after consideration of the guidelines recommended by CIPFA and the IIA.

6 Planning and Resources

6.1 It is important that the service keeps under review the resources required in order for it to fulfil its role in the medium to longer term. As such, an "Audit Universe" is maintained which predicts the likely areas for audit activity over the medium to longer term and compares this with the existing resources available.

- 6.2 In developing the Strategy and the Risk Profile it is important that audit resources are directed in line with the priorities of the Council taking into account an assessment of risk. In order to achieve this, a systematic risk assessment and planning methodology is used, as follows:
- A list of auditable areas, known as the Audit Universe is maintained on an ongoing basis. This is based on the audit activity undertaken during the year and the overall opinion of the control environment within the audited area. In addition, during January / February each year a further review of the auditable areas is conducted based upon:
 - Consultation with all Directorates to identify key issues facing the council;
 - Review / consideration of new council initiatives, government initiatives and legislation;
 - Review / consideration of strategic risks identified in the Corporate Risk Register;
 - Review of business / service plans;
 - Services transferring in / out of the organisation; and
 - Financial and Budgetary information.
 - The Audit Universe is then updated to reflect changes in the Council and methods of service delivery. To determine the priorities for the annual Audit Plan the following are reviewed:
 - The need to be able to provide an annual audit opinion of the Council's key financial and non financial systems;
 - Risk assessments which are maintained on an ongoing basis for all areas on the audit universe;
 - Specific client requests; and
 - The existing operational plan
- 6.3 The above methodology results in a plan that is supportive of Directors in delivering the strategic priorities and corporate improvement priorities of the Council and provides an overall view of the internal control environment, a key part of good Corporate Governance.
- 6.4 The proposed 2012 / 2013 Annual Plan has been compiled using the criteria detailed above along with a consideration of available resources. The plan shows the minimum amount of work required to provide assurance to the organisation.

7 Marketing of Internal Audit

- 7.1 Notwithstanding the plans for the shared service arrangement described in section 4, Internal Audit has been charged with selling audit services to generate income for PCC as part of the Medium Term Financial Strategy. Internal Audit will be reviewing the implications for the team in delivering this financial target during 2012/13 by developing a marketing strategy. Any successes in obtaining additional works will need to be carefully managed so as not to be at the detriment of the core service delivery to Peterborough City.
- 7.2 Internal Audit currently provides an audit service to Vivacity. The Service Level Agreement covering a two year period expires in March 2012 and Vivacity has indicated that they wish to continue with this arrangement for another 12 months. Vivacity will be charged for the agreed audit activities undertaken based on a benchmarked day rate. Any additional days that may be required will be charged at

the same rate on an ad hoc arrangement as appropriate, subject to available resources.

8 Performance Indicators

8.1 A range of performance indicators are maintained internally to monitor service delivery. These cover areas such as progress against the annual plan, quality and customer satisfaction. Performance against these areas will be reported to Audit Committee periodically.

8.2 Internal Audit will continue to liaise with PricewaterhouseCoopers by sharing best practice to enhance performance and efficiency throughout the year.

9 Training Strategy

Alongside the authority's Performance and Development Review process, the service will establish training needs assessment for future service requirements. Joint arrangements will be explored so that officers from both Peterborough and Cambridge can be developed at the same time and also to look for efficiencies in terms of time and cost.

10 Reporting

Reports will be prepared in order to give assurance (or otherwise) to Members that they can rely on the work of the service and the internal control framework in place which will contribute to the Annual Governance Statement.

This page is intentionally left blank

Internal Audit: Internal Audit Charter

INTRODUCTION

This Charter documents the terms of reference for Peterborough City Council's Internal Audit Section. It describes the section's purpose, authority, role, scope and principal responsibilities. It also outlines the relationship between Internal Audit and management, in terms of what can be expected from Internal Audit, and what Internal Audit expects from managers.

The Charter is reviewed annually.

DEFINITION OF AUDIT

The requirement for local authorities to have an internal audit function is determined by section 151 of the Local Government Act 1972, which requires that authorities "*make arrangements for the proper administration of their affairs*". The Accounts and Audit Regulations 2011 (SI¹ 2011 / 817), regulation 6, more specifically require that a "*relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control*". The provision of internal audit is the responsibility of the Council; this responsibility has been formally delegated to the Executive Director of Strategic Resources.

The **CIPFA² Code of Practice for Internal Audit in Local Government** (2006) defines Internal Audit as:

"an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources."

The **Institute of Internal Auditors** defines Internal Audit as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

These definitions are not mutually exclusive and jointly describe a modern and effective Internal Audit service. The Council fully supports the above definitions of Internal Audit and through this Charter (and other formal policies of the Council) formally recognises that Internal Audit represents an essential service to help deliver the principles of good corporate governance as defined within the CIPFA / SOLACE³ Keystone in Community Governance standards.

¹ SI: Statutory Instrument

² CIPFA: Chartered Institute of Public Finance and Accountancy

³ SOLACE: Society of Local Authority Chief Executives

VISION / MISSION STATEMENT

Internal Audit will provide the public, Councillors and Council officers with confidence that Council operations are properly controlled and risks effectively managed. Where assurance is not possible the service will ensure that the implications and risks are understood to ensure proportionate action is taken.

Internal Audit aims to provide a high quality and effective audit service that is responsive to the needs of departments. Internal Audit aims to add value to the Council systems by identifying areas for improvement and offering advice and assistance to clients, in order to ensure effective systems of internal control.

PURPOSE AND OBJECTIVES

As described above, statute requires that the Council put in place arrangements for the systematic review and evaluation of the internal control environment and governance arrangements, including its policies, procedures and operations. As an independent function, Internal Audit fulfils this requirement by examining and evaluating the activities of the Council and by contributing advice at an early stage in the implementation of any developments or amendments to processes.

A key objective of Internal Audit is to provide the Council with assurance of the adequacy of the internal control environment together with supporting the Executive Director of Strategic Resources to discharge duties as the s.151 Officer.

Internal Audit is NOT responsible for control systems. Responsibility for effective internal control rests with the management of the Council.

SCOPE AND AUTHORITY

Internal Audit's role applies to all functions and services for which the Council is responsible. Internal Audit has unrestricted coverage of the Council's activities and unrestricted access to all records and assets which is necessary for Internal Audit to effectively fulfil its responsibilities, however and wherever these are held. This includes Council information which is held or managed by third parties on the Council's behalf.

The Chief Internal Auditor has direct access, as appropriate, to:

- The Executive Director of Strategic Resources;
- All levels of management, including the Chief Executive and Monitoring Officer;
- All elected members, including the Leader and the Chair of the Audit Committee;
- Employees of the Council;
- Agents of the Council.

The Chief Internal Auditor reports also to the Audit Committee, attending all meetings, which are held on a periodic basis throughout the municipal year.

Internal Audit's authority is defined within the Council's Constitution - these include Financial Regulations, Conditions of Service, Scheme of Delegation and Code of Conduct. The authority for the production and execution of the Audit Plan and subsequent audit activities rests with the Chief Internal Auditor. The annual audit plan is agreed in consultation with the Council's Corporate Management Team and approved by the Council's Audit Committee.

INDEPENDENCE

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. Such independence is achieved by ensuring that:

- Internal auditors have **NO** operational responsibilities;
- Auditors declare any interests they may have and audit work is allocated to avoid the risk of conflicts. A separate conflicts register is maintained by the Chief Internal Auditor and reviewed on a six-monthly basis;
- Audit responsibilities are rotated. If an auditor is seconded out of the section, or is involved on any specific project, their independence is maintained by preventing them from auditing that particular activity for a specific time period (determined by senior managers);
- Internal Audit is involved in the determination of its priorities in consultation with the Audit Committee;
- The Chief Internal Auditor has direct access and freedom to report in his own name and without fear or favour to all officers and members and particularly to those charged with governance (the Chair of the Audit Committee, the s.151 Officer, the Chief Executive, the Monitoring Officer and the Leader of the Council); and
- Resources are made available to enable Internal Audit to fulfil their role and to provide assurance for the Annual Governance Statement.

RESPONSIBILITIES

For Internal Audit

Internal Audit responsibilities include but are not limited to:

- Examining and evaluating the adequacy of the Council's system of internal control, risk management and governance;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties;
- Producing an annual plan that provides adequate audit coverage of the Council's control environment within an agreed assurance framework;
- Co-ordinating with the work of the external auditors for audit planning and assisting the external auditors as required;
- Working in partnership with other bodies to secure robust internal control that protects the Council's interests.
- Providing an overall opinion on the control environment comprising risk management, control and governance.

In meeting its responsibilities, Internal Audit activities will be conducted in accordance with established Council policies and procedures. Internal Audit staff shall also maintain professional standards required by their respective professional body.

For Management

Managers are responsible for ensuring that control arrangements are sufficient to mitigate / address the risks facing their services to an adequate degree. Management is also responsible for ensuring that staff are aware of the processes and procedures required to operate the internal control systems. All managers can assist the process of internal audit by:

- Providing access at all reasonable times to premises, personnel, documents and assets that the internal auditors consider necessary for the purpose of their work;
- Giving information and explanations that are sought by the internal auditors in the course of their work;
- Providing input to both the audit plan and the Terms of Reference for each review, to ensure attention is focussed on areas of greatest risk;
- Early notification to Internal Audit of plans for change, including new operational systems and processes;
- Implementing agreed actions arising from audit recommendations in a timely and effective manner;
- Ensuring that where key systems are managed by an external organisation that contractual documentation identifies, in consultation with the Chief Internal Auditor, the internal audit arrangements for those key systems; and
- Notifying suspicions of fraud, theft or other irregularity, in accordance with the Council's Anti-Fraud and Corruption Strategy.

EXTERNAL RELATIONSHIPS

External Auditors

Internal Audit's role and function is distinct from external auditors. The council's external auditors, PricewaterhouseCoopers, have a Code of Practice and specific statutory responsibility for the audit of the Financial Aspects of Corporate Governance and the audit of financial statements.

External and Internal Audit co-operate to provide assurance to the Council in respect of the internal control environment. External Audit is given the opportunity to input and review Internal Audit plans and activities to assess its effectiveness and to obtain part of the audit assurance they require in relation to their audit of the financial statements. Additionally, Internal Audit carry out specific work on behalf of External Audit, including the audit of teachers' pension payments and certain grant claims.

Audit Groups

Internal Audit meets regularly with audit groups comprising Head's of Internal Audit from other councils to discuss best practice and developments in the audit profession, as well as exploring partnership working.

It also liaises with a larger network of local authority auditors, as well as other public and private sector auditors through national forums such as the Better Governance Forum to share and develop best practice.

Inspection Bodies

Internal Audit liaises with a variety of inspection bodies, where appropriate, to assist in formulation of our Audit Plan and to ensure that there are no gaps or duplications in the assurance provided to those charged with governance.

Third Parties

Internal Audit liaises with third party service providers to determine the level of assurance they are providing to the Council and the Partnership.

Similarly, Internal Audit may be required to provide assurance to other outside parties. Where required, audit reports will be provided to respective Audit Committees.

QUALITY ASSURANCE

The work of Internal Audit is controlled to ensure an effective level of performance, compliant with the CIPFA Code of Practice for Internal Audit in Local Government in the UK, is maintained. All auditors are responsible for conducting audits with reference to due professional care and ethical standards, but the Chief Internal Auditor ensures that quality and performance are achieved by the following means:

- An Audit Manual describes policies and procedures for the guidance of staff. This builds upon the CIPFA Audit Manual;
- Assignments are allocated according to the experience and skills of individual auditors;
- Internal review of work standards is undertaken through a system of management review involving senior audit staff. This incorporates review of all audit documentation and reports prior to release;
- Quality questionnaires are issued at the end of each audit review. Completed questionnaires are recorded and monitored against performance indicators. If standards have slipped, quality issues are discussed with senior management across the Council;
- A self assessment of compliance with the CIPFA Code of Practice is carried out periodically (whether by internal assessment or peer review) and other external quality reviews are commissioned as appropriate.

Quality also depends on appropriate staffing, in terms of numbers, grades, qualifications and experience. The Chief Internal Auditor is CIPFA qualified. Other auditors are professionally qualified within the field of accountancy or internal audit, or are in the process of becoming qualified. Training needs are assessed as part of the appraisal process and time and financial resources (subject to availability) are made available to all staff to undertake continuing professional development.

AUDIT PROTOCOLS

Strategy and Annual Planning

Internal Audit review the Audit Strategy on an annual basis which is agreed through the Audit Committee. This document sets out the commitment to continue to develop the audit role and activity, principally as an internal function to Peterborough, but also to seize any opportunities to develop into other areas, e.g. shared arrangements with Cambridge City Council.

Internal Audit will prepare a risk based audit plan designed to implement the audit strategy, taking into account of the Council's risk management process and the Assurance Framework. Any difference between the plan and the resources available will be identified and reported to the Audit Committee. The risk based plan will outline the assignments to be carried out and the broad resources and skills required to deliver the plan. It will provide sufficient information for the Council to understand the areas to be covered and for it to be satisfied that sufficient resources and skills are available to deliver the plan. Areas included in the audit plan are highlighted in **Annex A**.

The audit plan will be kept under review to identify any amendment needed to reflect changing priorities and emerging risks. It will be flexible, containing an element of contingency to accommodate assignments which could not have been readily foreseen. However, on occasions, specific audit requests take precedence over the original audit plan and will be required as additional work rather than as a replacement. Resources, such as specialist or additional auditors may be required to supplement this. Internal Audit will reserve the right to make a charge for any additional work that is over and above that originally planned.

Annual audit plans will be discussed with each Executive Director and Departmental Management Team prior to their formal approval.

Notification of an Audit

The Director, Head of Service, service manager and other relevant managers will be given sufficient notice prior to the start of each audit assignment. After discussion with relevant managers, an Audit Brief, detailing the objectives and timings of the audit, will be issued to the Head of Service, service manager and other relevant managers. However, this arrangement does not preclude Internal Audit from making unannounced or short-notice visits.

Conduct of Audit

Significant issues arising during the course of the audit will be discussed with the service manager during the course of the audit. At the end of an audit, findings will be discussed with the service manager at his choice of an exit meeting (at the conclusion of fieldwork) or a draft report meeting.

Reporting

Reports contain an opinion on the control environment of the area under review, and a table of recommendations for improvement, prioritised according to the level of risk. **Annex B** provides information on the criteria used to determine the opinion and risk classification, while **Annex C** and **Annex D** sets out the current reporting processes.

Follow-up

The implementation of agreed recommendations will be subject to self-assessment by management within 6 months of the final report. Internal Audit will provide the service manager with a template containing the agreed action plan, which should be updated with progress and returned within 15 working days.

Internal Audit will check the implementation status by further audit review and testing as appropriate and will issue a follow-up report.

Continuing significant weaknesses will be reported to the Audit Committee.

KEY CONTACTS		
Steve Crabtree	Chief Internal Auditor	☎ 384 557
Louise Cooke	Group Auditor	☎ 384 558
Julie Taylor	Group Auditor	☎ 384 559

February 2012

ANNEX A**AUDIT ACTIVITIES**

Audit Type	Brief Description
Key Financial Systems	System or risk based audits of all financial reporting systems.
Corporate / Strategic	Reviews cutting across services, business streams or schools. These include policies, higher level controls, business culture, management's attitude to risk and control weaknesses or breakdowns identified. For example, reviews of corporate governance framework, risk management and counter-fraud initiatives.
Service Areas	Evaluation of risk management procedures and the controls in place to mitigate risks and ensure objectives are achieved.
Contracts and Projects	Covering the various stages of revenue and capital contracting and project management. Predominantly looking at compliance with policies.
Schools	Covering significant financial and operational control aspects of primary, secondary and special schools.
ICT	System or risk based audits of the risks and controls within the ICT environment.
Value for Money	Major issues of efficiency, economy and effectiveness will be considered within each audit. Specific VFM reviews will be undertaken where a need is identified.
Environmental studies	Major issues of sustainability and links to assist the authority in its vision for environmental capital.
Internal Consultancy	Expert advice on risks and controls, particularly when systems or procedures change. Training of staff or Members. Ad-hoc reviews by specific management instruction and subject to resource availability.
External Audit Support	By management instruction, subject to resource availability. (This may include areas such as assistance in year-end audit procedures or grant claim verification).
Fraud and Irregularity Investigations	A joint working arrangement between Internal Audit and Corporate Fraud to deal with allegations of fraud and irregular activity. A primary role for Internal Audit is to evaluate the control weaknesses that have allowed a fraud to take place or remain undetected, and provide recommendations to improve fraud prevention and detection. All referrals are received by Internal Audit, and fraud investigation is carried out by the Corporate Fraud Team, with assistance by Internal Audit where required. Where there is irregular activity, but fraud is not suspected, Internal Audit will consider the need for a review.
Fee Paying Audit work	Work for external organisations / local authorities. Requirements are determined annually. Internal Audit is an assessor for providing assurance in respect of the Financial Management Standard in Schools. This will be marketed to other authorities.

ANNEX B**AUDIT REPORTS: AUDIT OPINION / CLASSIFICATION OF ISSUES**

In order to assist management in using our reports:

- a) We categorise our **opinions** according to our assessment of the controls in place and the level of compliance with these controls:

Opinion	Description	Guide For Awarding
FULL assurance	The system is designed to meet objectives and controls are consistently applied that protect the Authority from foreseeable risks.	Only LOW recommendations.
SIGNIFICANT assurance	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.	Predominantly LOW and MEDIUM recommendations or a significant number of LOW recommendations.
LIMITED assurance	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.	Predominantly MEDIUM and HIGH recommendations, or a significant number of LOW and MEDIUM recommendations.
NO assurance	Controls are weak and /or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.	One CRITICAL or a significant proportion of HIGH recommendations.

- b) We categorise our **recommendations** according to their level of risk and priority for implementation:

CRITICAL	Extreme control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
HIGH	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
MEDIUM	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
LOW	Control weakness which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

ANNEX C**REPORTING ARRANGEMENTS**

Stage	Commentary
Audit Brief	Set up and agreed with manager(s)
Fieldwork	Assignment undertaking including interviews, testing etc.
Exit Meeting	At conclusion of fieldwork, issues raised for reporting (if not already provided during course of fieldwork).
Draft report	Produced within 15 working days of completion of fieldwork / exit meeting. Head of Service / Line Manager to formally respond within 15 days, including acceptance (or not) of recommendations together with timescale proposals to implement.
Final Report	Internal Audit incorporates all management comments within the report and re-issue as a final within 10 days of receiving the response. The report will be distributed to the Chief Executive, Director, Head of Service, service manager together with the Leader of the Council and Audit Committee chair. Unless a special investigation, a questionnaire will be included with the final report to assess management's opinions on the conduct of the audit and the usefulness of the report
Non Responses	If management do not respond to the draft report, a reminder will be sent to the original recipients requesting a response within 10 working days. The reminder will be endorsed by the Audit Committee Chair as to it the importance of responding to audit reports. After that time, a further reminder will be sent to the original recipients and the relevant Director, requesting a response within 10 working days. All delayed or non-responses to audit reports will be reported to the Audit Committee.
Final Report	Internal Audit incorporates all management comments within the report and re-issue as a final within 10 days of receiving the response. The report will be distributed to the Chief Executive, Director, Head of Service, service manager together with the Leader of the Council and Audit Committee chair. Unless a special investigation, a questionnaire will be included with the final report to assess management's opinions on the conduct of the audit and the usefulness of the report

ANNEX D

AUDIT REPORTS: PLANNING & FREQUENCY

Reports	To	At	Content
Audit Assignment Report	<ul style="list-style-type: none"> • Service Manager (or Head teacher) • Director (or Chair of Governors) 	The end of each audit assignment as the main recipient	<ul style="list-style-type: none"> • Executive Summary • Audit Opinion • Detailed risk issues • Agreed improvement plan
	<ul style="list-style-type: none"> • Chair of the Audit Committee • Leader of the Council • Cabinet Member for Resources • Chief Executive • s.151 Officer 	At the conclusion of the audit for information purposes	<ul style="list-style-type: none"> • Executive Summary • Audit Opinion • Detailed risk issues • Agreed improvement plan
Half Year Progress Reports	Audit Committee	To comply with Committee cycle	<ul style="list-style-type: none"> • Progress against annual plan and performance data • Amendments to current annual plan • Details of significant risk issues • Details of non-responses or non-implementation of recommendations
Annual Opinion and Performance Report	<ul style="list-style-type: none"> • Audit Committee • Corporate Management Team • s.151 Officer • Monitoring Officer • External Audit 	The end of each year	<ul style="list-style-type: none"> • Annual assurance report giving Chief Internal Auditor's opinion on the control environment • Achievement of the annual plan and performance data.
Annual Audit Plan and Strategy	<ul style="list-style-type: none"> • Audit Committee • Corporate Management Team • s.151 Officer • External Audit 	Beginning of every year	<ul style="list-style-type: none"> • Audit area • Audit risk assessment • Budgeted days • Timetable • The strategy describes how Internal Audit will meet its responsibilities and comply with CIPFA standards.

APPENDIX 4**Internal Audit Service: Code of Ethics****INTRODUCTION**

The purpose of a Code of Ethics is to promote an appropriate ethical culture for Internal Audit. The Code has been developed from work undertaken by CIPFA and the IIA to provide clear rules of conduct and to provide a basis for effective management of ethical behaviour.

PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity.** The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.
- **Objectivity.** Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- **Confidentiality.** Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- **Competency.** Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.
- **Professional Behaviour.** Internal auditors comply with standards and laws and must not bring the reputation of the profession into disrepute in their behaviour and actions.

RULES OF CONDUCT**Integrity**

Internal auditors:

- Shall perform their work with honesty, diligence and responsibility;
- Shall observe the law and make disclosures expected by the law and the profession;
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Shall respect and contribute to the legitimate and ethical objectives of the organisation; and
- Shall maintain relationships with colleagues, internal clients and external contacts that are characterised by honesty, truthfulness and fairness.

In line with these standards of integrity, there is a specific requirement that auditors must comply with the Code of Conduct for Officers adopted and with the requirements of policies adopted to address the risks of fraud or corruption.

Objectivity

Internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Shall not review any activity for which they have previously had operational responsibility;
- Auditors should not be assigned such work until the Chief Internal Auditor has determined that a suitable period has elapsed;
- Shall not accept anything that may impair or be presumed to impair their professional judgement; and
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

Confidentiality

Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties but should ensure that requirements of confidentiality do not limit or prevent reporting within the authority as appropriate;
- Shall not make unauthorised disclosure of information unless there is a legal or professional requirement to do so; and
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

Competency

Internal auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience;
- Shall continually improve their proficiency, the effectiveness and quality of their services and maintain their understanding of relevant legislation and other regulatory arrangements relating to their clients;
- Shall ensure that they have sufficient knowledge and understanding of the aims, objectives and governance arrangements within Peterborough; and
- Shall ensure that they understand the scope of each audit assignment and the purpose, risks and issues of the service / activity subject to audit.

Professional Behaviour

Internal auditors:

- Will behave in a professional manner both during their day to day work and activities outside of work.

KEY CONTACTS		
Steve Crabtree	Chief Internal Auditor	☎ 384 557
Louise Cooke	Group Auditor	☎ 384 558
Julie Taylor	Group Auditor	☎ 384 559

February 2012

AUDIT COMMITTEE	AGENDA ITEM No. 8
26 MARCH 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

AUDIT COMMISSION: APPOINTMENT OF EXTERNAL AUDITORS

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director (Strategic Resources)	Deadline date : N/A
To advise Members of changes from central government which will impact on the workings of the Council and in particular the Audit Committee.	

1. ORIGIN OF REPORT

This report is submitted to Audit Committee in line with the Work Programme for the Municipal Year 2011 / 2012.

2. PURPOSE AND REASON FOR REPORT

To present Members with an update regarding the Department for Communities and Local Government's Consultation Paper on the "Future of Local Public Audit".

This is in accordance with the Committees Terms of Reference: 2.2.9 *"To liaise with the Audit Commission over the appointment of the Councils external auditor"*.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

4. BACKGROUND

- 4.1 On the 13 August 2010 the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission and refocus audit of local public bodies on helping local people hold those bodies to account for local spending decisions, the very essence of localism.
- 4.2 On 30th March 2011 the Government published a consultation document setting out the principles for the future of local audit. It proposes that all public bodies with a turnover exceeding £6.5m appoint their own independent auditor. This appointment would be made following advice from an independent audit panel.
- 4.3 The consultation included fifty questions, some of which applied only to smaller public bodies i.e. those under the £6.5m turnover threshold. Since then the Department for

Communities and Local Government (DCLG) has issued the 'Government response to the future of local audit consultation' (January 2012) available at:

<http://www.communities.gov.uk/publications/localgovernment/localauditgovresponse>

4.4 Principles

The design principles of the consultation remain i.e. a move away from centralised inspection and supervision, proposing instead a more locally focused regime that is overseen by the National Audit Office. The response to the consultation reinforces the following four design principles in developing the proposals for local audit:

- Localism and decentralisation – freeing up local public bodies, subject to appropriate safeguards, to appoint their own independent external auditors from a more competitive and open market.
- Transparency – ensuring that the results of audit work are easily accessible to the public, helping local people to hold councils and other public bodies to account for local spending decisions.
- Lower audit fees – achieving a reduction in the overall cost of audit.
- High standards of auditing – ensuring that there is effective and transparent regulation of public audit, and conformity to the principles of public audit.

4.5 Regulation of local public audit

Legislation will set out at a high level how the system operates. In summary, the approach to audit will be that the External Auditor will still be required to satisfy themselves that:

- The accounts have been prepared in accordance with the necessary directions or regulations and comply with relevant statutory requirements;
- Proper practices have been observed in the completion of the accounts; and
- The body has made proper arrangements for securing economy, efficiency and effectiveness (value for money) in its use of resources.

4.6 Transition period

The Audit Commission have been going through the procurement exercise to transfer to the private sector the work of the Commission's audit practice by:

- 'Securing the provision of high quality audit services at the best prices possible; and
- Minimising the costs to DCLG of redundancy by maximising transfer of audit practice staff under TUPE Regulations.'

Thirteen firms were invited to tender and bids received evaluated on the basis of a weighting of 60% of price and 40% quality. Following this exercise, a press release from the Audit Commission was issued on 5 March 2012 (extract attached at **Appendix 1**).

The Draft Bill is anticipated in spring 2012. It will set out key elements of the new framework and the powers to make regulations on detailed issues.

The introduction of the new regime is planned for April 2015 but this is dependent on whether the initial contracts (awarded by the Audit Commission) are for three or five years. The Audit Commission will consult with DCLG before deciding on the length of contract.

For Peterborough, our existing contract with PricewaterhouseCoopers continues.

5. ANTICIPATED OUTCOMES

Audit Committee to note the changes to be made.

6. REASONS FOR RECOMMENDATIONS

To update Members on central government changes which impact on local government.

7. ALTERNATIVE OPTIONS CONSIDERED

None

8. IMPLICATIONS

This cannot be quantified at present until further details are published.

9. BACKGROUND PAPERS

Used to prepare this report in accordance with the Local Government (Access to Information Act 1985)

- Communities and Local Government web site: www.communities.gov.uk

Press Release 5 March 2012: Audit Commission will reduce audit fees by 40 per cent

Today the Audit Commission announced the proposed award of five-year audit contracts to four private firms starting from 2012 / 2013 - contracts that will contribute to an up to 40 per cent cut in the audit fees paid by local public bodies.

The provisional results of the procurement to outsource the work of its Audit Practice show the extent of the Audit Commission's unique purchasing power. Public bodies are expected to save over £30 million a year for the length of the contracts. Together with additional savings of £19 million a year achieved through the Commission's own internal efficiencies, the result will be an expected £250 million (or 40 per cent) fall in audit fees for most local public bodies over five years.

The procurement will also create a more diverse audit market and safeguard the extensive public sector experience of over 700 auditors who will transfer to the private sector.

Following a process that began with a contract notice issued in September 2011, the Audit Commission is proposing to award the following contracts to:

- **Grant Thornton (UK) LLP**, a total notional value* of £41.3 million a year covering four contract areas in the North West, West Midlands, London (South) Surrey & Kent, and South West;
- **KPMG LLP** a total notional value of £23.1 million a year covering three contract areas in Humberside & Yorkshire, East Midlands, and London (North);
- **Ernst & Young LLP** a total notional value of £20 million a year covering two contract areas in Eastern and South East; and
- **DA Partnership Ltd**** a total notional value of £5 million a year covering one contract area in the North East & North Yorkshire.

The Commission expects to confirm the award of the contracts at noon on 6 March.

The procurement exercise has diversified the current marketplace by introducing two new suppliers. This will be the first time in the 28 year history of the Commission that all audits of the accounts of public bodies in England will be carried out by private firms.

October 2012 will mark an end to the Commission's own Audit Practice, (formerly known as the District Audit Service), which currently delivers around 70 per cent of the audits for England's local public services.

Auditors transferring to the four successful companies will do so in the autumn of 2012, after they have completed their work on accounts for the 2011 / 2012 financial year. When the Commission's Audit Practice closes, it will leave a much smaller organisation in place to manage the contracts, oversee the public audit market and deliver its other statutory functions.

Ministers have indicated that they intend to publish a draft Bill on the future arrangements for local public audit for legislative scrutiny and consultation in the spring.

Following the end of the procurement process, there will be a consultation period with audited bodies on the appointment of their new auditors. The appointments will be formally approved by the Commission's Board in July. Appointments for 2012 / 2013 will commence on 1 September, with Audit Commission staff transferring to the new suppliers on 31 October 2012.

The Commission's current contracts with Deloitte LLP, Grant Thornton UK LLP, KPMG LLP, PricewaterhouseCoopers LLP UK, and PKF (UK) LLP will remain in place.

AUDIT COMMITTEE	AGENDA ITEM No. 9
26 MARCH 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

DRAFT ANNUAL AUDIT COMMITTEE REPORT

R E C O M M E N D A T I O N S	
FROM : John Harrison, Executive Director (Strategic Resources)	Deadline date : N/A
1. Audit Committee are asked to approve the Annual Audit Committee Report as shown in Appendix 1.	

1. ORIGIN OF REPORT

This report is submitted to Audit Committee in line with the agreed Work Programme for the Municipal Year 2011 / 2012.

2. PURPOSE AND REASON FOR REPORT

The Audit Committee has been in operation since Annual Council in May 2006 (first meeting June 2006). The Committee has a wide ranging remit that underpins the Council's governance processes by providing independent challenge and assurance of the adequacy of risk management, internal control including internal audit, anti-fraud and the financial reporting framework. These are shown in its terms of reference.

Best practice recommended by relevant professional bodies is that audit committees should produce an annual report which details the work of the committee for the Municipal Year, and sets out its plans for the future building on the lessons learnt.

This report is for Committee to consider under its Terms of Reference:

- 2.2.17 *To consider the Councils arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.*

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
---	-----------	---	-----

4. DRAFT ANNUAL REPORT

- 4.1 Audit Committee members have been issued with an Audit Committee Handbook which identifies all the key activities and work delivered through the committee. Best practice within this publication establishes a need to highlight to a wider audience the works undertaken by the committee and to enhance its profile across the organisation.

4.2 In consultation with the Chair of Audit Committee, the Draft Annual Report has been produced (**Appendix 1**). The report shows:

- Background to the committee, its roles, responsibilities and membership;
- Its key achievements during the year;
- An overview and coverage of its remit including Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate Governance, and Fraud and Irregularities; and
- Training provided to ensure that suitable challenge and scrutiny is adopted.

5. CONSULTATION

The report has been produced by the Chair of the Committee and in consultation with the Chief Internal Auditor and the Head of Corporate Services.

6. ANTICIPATED OUTCOMES

Publication of the report will enable the public to gain an insight into the role of the Committee and will ensure that the Committee can continue to progress and develop in the future. The City Council continues to evolve its Audit Committee in line with best practice to provide effective challenge to the governance arrangements adopted.

7. REASONS FOR RECOMMENDATIONS

To seek endorsement from Members that the Committee is delivering against its terms of reference and provided effective challenge to the organisation.

8. ALTERNATIVE OPTIONS CONSIDERED

None required at this stage.

9. IMPLICATIONS

This report contains no specific financial implications.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

None

11. APPENDICES

- Appendix 1 – Chairman's Annual Report

**(DRAFT) ANNUAL REPORT FROM
THE CHAIR OF AUDIT COMMITTEE
2011 / 2012**

Assurance

Governance

Accountability

Risk Management

Independence

FOREWORD BY THE CHAIR OF THE AUDIT COMMITTEE

I am pleased to present the Audit Committee's Annual Report for the municipal year 2011 / 2012. The report shows how the Audit Committee has successfully fulfilled its terms of reference and highlights how it has continued to make a positive contribution to the Council's governance and control environments. These cover all aspects, such as internal control; risk management; internal audit; anti fraud; external audit; and financial reporting.

I would like to take this opportunity to give thanks to committee members and officers for their contribution in supporting the Audit Committee's work during the year and my role as Chair. Committee members have supported and challenged officers to ensure our risk, control and governance processes are effective and transparent. Officers have presented well-prepared reports and taken on suggestions to make sure the benefits of this Committee are passed onto our citizens.

2012 / 2013 will be a testing time for all Councils with the resources available becoming more important. How we risk manage our priorities, resources and partnerships will be vital, notwithstanding the risk of fraud.

In advancing the Audit Committee, there are three issues I would like addressed:

- As a Council we will need to look to instil some stability into the Committee membership in order to allow for knowledge gained by members this year to be developed and built on in future years.
- As a new Chair of the committee, training has been very important to me (and the committee) and has been well received and delivered. However, I would like the approach to be changes so that training is not delivered prior to a meeting. This does not allow for time to take all the information on board.
- Finally, the Localism Act brings its challenges which could impact on the work of this committee. We need to ensure that work programmes remain challenging and cover these issues.

The role of the Audit Committee will become more intensive to ensure good and effective stewardship of resources are working. If we can address each of the above issues, then I am confident that the Committee is well placed to do that during 2012 / 2013 and beyond.

Councillor Diane Lamb
Chair of the Audit Committee
March 2012

AUDIT COMMITTEE: ANNUAL REPORT 2011 / 2012

INTRODUCTION

MEMBERSHIP AND MEETINGS

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

PLANS FOR 2012 / 2013

INTRODUCTION

This is the fourth annual report produced by Peterborough City Council's Audit Committee. It is produced in accordance with latest best practice¹ and shows that the Council is committed to working as an exemplar organisation, operating the highest standards of governance. The report shows how the Audit Committee has successfully fulfilled its terms of reference and has improved the Council's governance and control environments.

The Audit Committee was established by the City Council at its meeting in May 2006. Following its first year of operation, the membership was reduced from 10 to 7 members.

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risks and weakens the control environment, and to oversee the financial reporting process.

The key benefits of an Audit Committee can be seen as:

- Raising greater awareness of the need for internal control and the implementation of both internal and external audit recommendations;
- Increasing public confidence in the objectivity and fairness of financial and other reporting;
- Reinforcing the importance and independence of internal and external audit and similar review processes; and
- Providing additional assurance through a process of independent and objective review.

The Terms of Reference for the Committee can be found at **Appendix A** of this report.

This report sets out the work of the Committee for 2011 / 2012 and specifically highlights those areas where its scrutiny and review process has made a difference to performance. The Committee has overseen good progress in all areas under its supervision.

Audit Committee members have received training on key issues throughout the year, and further details of this can be found later in this report.

¹ Best practice as contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) document "A Toolkit for Local Authority Audit Committees"

MEMBERSHIP AND MEETINGS

During 2011 / 2012, the Audit Committee met on the following dates:

- 6 June 2011
- 27 June 2011
- 5 September 2011 (meeting cancelled due to insufficient business)
- 26 September 2011
- 7 November 2011
- 6 February 2012
- 26 March 2012

The Audit Committee has 7 members, which represents the political make up of the Council. The members for 2011 / 2012 were:

Conservative	Peterborough Independent Forum	Liberal Democrats	Labour	English Democrats
Lamb (Chair) Stokes (Vice Chair) Harper Kreling Nash (*) Nadeem (Sub)	Lane Sharp (Sub)			Goldspink
* Note, Cllr Nash has moved to PIF. Seat retained on Audit Committee following revised allocations at Council in February 2012.				

A number of Audit Committee members also sit on various other committees and panels. On occasions there may be clashes with the Audit Committee and where this occurs, apologies are received for any episodes of non-attendance and where available, substitutes attend.

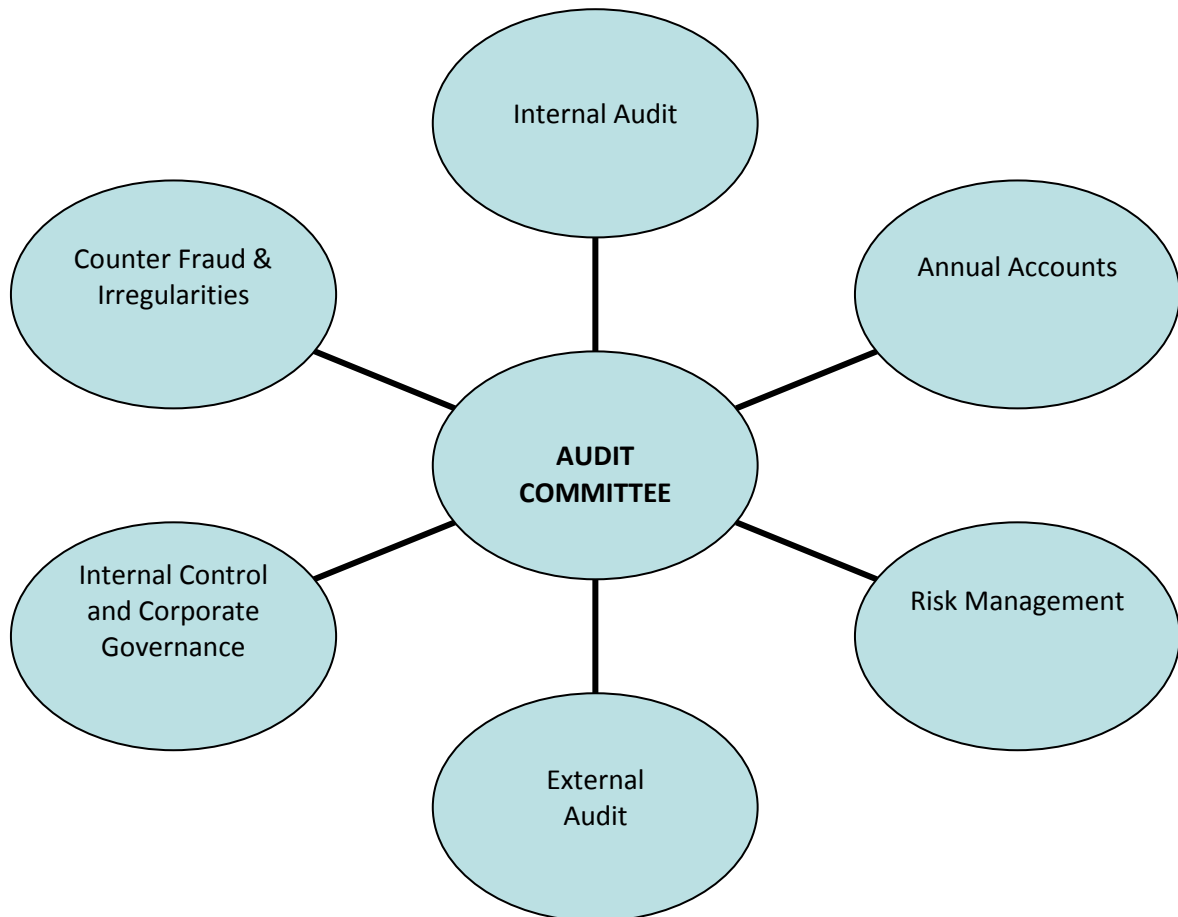
Senior officers from the Council are also present, including the Executive Director of Strategic Resources, Chief Internal Auditor and the Head of Corporate Services. Dependent on the subject matter on the agendas, other officers will attend in addition to external representation from the Councils' External Auditor and Relationship Manager.

KEY ACTIVITIES AND TRAINING DURING THE MUNICIPAL YEAR

Background

The first meeting within the year took place in June 2011. As a result of local elections in May that year, there were a number of changes to the membership, including a change in chair, with a similar number of meetings planned throughout the year. Due to the membership changes the first meeting in June 2011 provided an overview of the terms of reference together with a series of training revolving around the key areas, as set out in the Audit Committees' Handbook.

The Audit Committee's current terms of reference (**Annex A**) covers 6 main areas (see below).



Internal Control and Corporate Governance

A key role of the Committee is to oversee the Authority's control environment and its associated system of internal controls and assurance processes. The Committee must satisfy itself that the Authority's assurance statements, in particular the Annual Governance Statement, properly reflect the risk environment and any actions needed to improve it. This is done through receiving and scrutinising reports on the relevant areas and calling officers to account where necessary.

The Committee reviewed the draft Annual Governance Statement on 27 June 2011, noting areas for improvement following a review of internal controls, risk management arrangements and significant governance issues. The Committee agreed to final changes to the Statement prior to its inclusion in the Statement of Accounts.

At that meeting the Committee also reviewed the effectiveness of the system of internal audit noting planned actions to address any areas of partial compliance. It endorsed the reporting of

findings from the review within the 2010 / 2011 Annual Governance Statement and the Chief Internal Auditors Annual report and opinion.

An update was provided on 6 February 2012 on addressing previous weaknesses identified within the Annual Governance Statement together with the development of the next statement through the Strategic Governance Board.

In line with best practice, we also conducted a review of the effectiveness of the Audit Committee, and in essence identified that this was working well. A number of observations were made at the meeting (6 February 2012) and these are being researched with professional bodies to look to see if we can introduce to further improve the effectiveness.

Following the review of consultants used by the Council in 2010, it was recommended, and agreed that Audit Committee would keep tabs on progress. We received an update on the March 2012 agenda.

The Audit Committee Handbook was fully updated and agreed by the Committee on 6 June 2011.

Annual Accounts

The Committee reviewed and scrutinised the 2010 / 2011 Revenue and Capital Outturn and Statement of Account on 27 June 2011 prior to its submission to the external auditors for audit. Change in legislation has meant that we do not have to normally do this, but we have seen this as good practice to adopt. The Committee then approved the Statement of Accounts for 2010 / 2011 and authorised its signing by the Chairman. The Committee delegated authority to the Executive Director of Strategic Resources to make, following consultation with the Portfolio Holder for Resources, any non-material amendments to the Accounts arising from the external audit to be carried out by the Audit Commission between July and September 2011.

As part of the accounts process, Members have also considered the implications of the introduction of International Financial Reporting Standards (IFRS) within local government. This had been a major exercise for the Council and resulted in the accounts being provided in a different format to previous years. This was in the form of a training session to Members on 27 June 2011.

A separate report was submitted to Audit Committee in November 2011 which outlined the council's approach to Treasury Management, in line with agreed practices identified in the Medium Term Financial Strategy. Further details are also set out in the out turn reports submitted in June each year.

Internal Audit

The Audit Committee received a half year progress report highlighting internal audit performance against targets and quality assurance results to enable it to review and comment on the work and performance of internal audit. Any areas reviewed which are considered to be weak or requiring attention following Internal Audit activity can result in officers from across the Council being held to account. Similarly, this has been used for officers to explain the non-implementation of recommendations. Through the use of these challenge sessions within the Committee it has acted as a deterrent to ensure that management take action. This was not required in 2011 / 2012.

At its 26 March 2012 meeting the Committee considered a report on the 2012 / 2013 annual plan. The annual audit plan is an indicative plan which is kept under review to ensure that it is aligned to emerging risks. It is subject to revisions during the year with approval from the Committee. The assurance gained from the programme of work set out in the annual plan forms the main input for the development of an annual opinion for the Council. The Committee reviewed the plan and approved it after gaining assurance on the adequacy of work on the Council's key financial

systems audits. Overall, we ensured that internal and external audit plans were complementary and provided optimum use of the total audit resource.

In addition, various Internal Audit policies were reviewed and received committee support / approval in March 2012.

Risk Management

To discharge its responsibilities for overseeing the effectiveness of risk management within the authority, the Committee formally approved the updated Risk Management and Business Continuity Policy and Strategy at the 6 February 2012 meeting. Corporate activities around developing, implementing and embedding risk management were presented.

Further information was requested to allow for further member challenge and scrutiny in relation to the strategic risks generated.

Counter Fraud & Irregularities

On 27 June 2011, the Committee received an annual report highlighting counter fraud and irregularity work over the previous year. The Committee's review of the work and performance of the counter fraud team showed strong support and interest. Separate training was provided on the investigating fraud and the use of Regulation of Investigatory Powers Act (RIPA) and quarterly update reports have been provided into the use of RIPA.

External Audit

At its 26 September 2011 meeting the Committee considered the Audit Commission's Annual Governance report on the Audit of the 2010 / 2011 Accounts and approved and agreed the:

- audited Statement of Accounts for 2010 / 2011 and adjustments;
- signing by the Executive Director of Strategic Resources of the Council's letter of representation; and
- actions to be taken in respect of the issues identified by the auditors that did not result in changes to the accounts.

On 6 February 2012, the Committee scrutinised the Annual Audit and Inspection Letter in respect of 2010 / 2011 and considered the Annual Grant Claims Certification.

Training

Throughout the year, the provision of ongoing training to Members has been the cornerstone of developing members (new and existing). During the year, officers provided presentations on:

- Preparation and scrutiny of the Statement of Accounts and the impact of International Financial Reporting Standards on these;
- Risk management and business continuity; and
- Investigating fraud and the use of RIPA.

To further assist Member development, the Chief Internal Auditor fully revised the Audit Committee Handbook. The 3rd edition was endorsed in June 2011.

FUTURE DEVELOPMENTS AND PLANS FOR 2012 / 2013

Overall, the Audit Committee want to continue to develop and build on our current achievements. For 2012 / 2013 this will involve:

- Continuing to drive up standards of corporate governance;
- Continuing to equip existing and any new Members to fulfil our responsibilities by providing or facilitating training on all aspects of the Committee's remit;
- Playing a critical role in the preparation of the Annual Governance Statement and in so doing ensure all governance arrangements are reviewed;
- Assisting and supporting officers to promote the work of the Committee and the roles of internal audit, external audit and risk management;
- Supporting the continued production of high quality and compliant statutory accounts and general good practice in financial management;
- Helping to further increase awareness within the Council of its governance arrangements; and
- Providing effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound.

A similar programme of works has been scheduled for the year, although additional areas which will be taken through the committee include:

- Detailed strategic risk register profiles;
- The revision of Contract Regulations and Financial Regulations; and
- Constitutional issues arising through responses to the Localism Act.

2.2 AUDIT COMMITTEE: TERMS OF REFERENCE²

2.2.1 Terms of Reference

- 2.2.2 To consider the Director of Strategic Resources annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- 2.2.3 To consider summaries of specific internal audit reports as requested.
- 2.2.4 To consider reports dealing with the management and performance of the providers of internal audit services.
- 2.2.5 To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale
- 2.2.6 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- 2.2.7 To consider specific reports as agreed with the external auditor.
- 2.2.8 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 2.2.9 To liaise with the Audit Commission over the appointment of the council's external auditor.
- 2.2.10 To commission work from internal and external audit.

2.2.11 Regulatory Framework

- 2.2.12 To maintain an overview of the council's constitution in respect of contract procedure rules, and Financial Regulations.
- 2.2.13 To review any issue referred to it by the Chief Executive or a Director, or any council body.
- 2.2.14 To monitor the effective development and operation of risk management and corporate governance in the council.
- 2.2.15 To monitor council policies on "raising concerns at work" and the anti-fraud and anti-corruption strategy and the council's complaints process.
- 2.2.16 To oversee the production of the authority's Annual Governance Statement and to recommend its adoption.
- 2.2.17 To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

2.2.18 Accounts

- 2.2.19 To review the annual statement of accounts, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 2.2.20 To consider the external auditors report to those charged with governance on issues arising from the audit of the accounts.

² (Source: Constitution: Part 3, Delegations Section 2 - Regulatory Committee functions. Approved Annual Council)

AUDIT COMMITTEE	AGENDA ITEM No. 10
26 MARCH 2012	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Lamb, Chair of Audit Committee	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	☎ 384 557

WORK PROGRAMME

1. ORIGIN OF REPORT

This is a standard report to Audit Committee which forms part of its agreed work programme. This standard report provides details of the:

- Draft Work Programme for 2012 / 2013.

2. UPDATE

2.1 Work Programme 2012 / 2013

The Work Programme is based on previous years agendas. The programme has been refreshed throughout the year in consultation with senior officers and the Committee membership to ensure that it remains relevant and up to date. In addition, any delays in reporting issues are recorded so that they do not drop off the committee agenda.

Other changes not factored in at present relate to constitutional changes which may be required as a response to the Localism Act.

DRAFT WORK PROGRAMME FOR 2012 / 2013

	June	September	November	February	March
ACCOUNTS					
Draft Statement of Accounts 2011 / 2012	X				
International Financial Reporting Standards	X				
Statement of Accounts		X			
INTERNAL AUDIT / EXTERNAL AUDIT ACTIVITIES					
External Audit: Annual Audit Letter				X	
External Audit: Grant Claims Annual Certification				X	
External Audit: Audit Plan					X
Internal Audit: Annual Report 2011 / 2012	X				
Internal Audit: Review of Effectiveness	X				
Internal Audit: Mid Year Progress			X		
Internal Audit: Strategy and Audit Plan 2013 / 2014					X
REGULATORY FRAMEWORK					
Annual Governance Statement	X	X			
Risk Management: Strategy and Corporate Risks		X		X	
Fraud: Annual Report 2011 / 2012	X				
Investigatory Powers Act: Quarterly Progress Report		X	X		X
Treasury Management			X		
Effectiveness of the Audit Committee				X	
Contract Regulations *		X			
Financial Regulations *		X			
Draft Annual Audit Committee Report					X

* Subject to changes made during year